

World Cotton Outlook 2008-09

World Cotton Production to be lowered down in 2008/09

World cotton production in 2008/09 is forecast at 111.6 million bales, down 7.4 percent from the previous year, which is the largest year-to-year reduction since 2002/03. Factors explaining the declining global production include high input prices at planting time, higher returns on competing crops, and the current turmoil in world financial markets which is affecting southern hemisphere production. In the United States, the epicentre of the global financial crisis, 2008/09 production is forecast to decrease by a considerable 5.6 million bales (29.1 percent) from last year. A significant decline—1.6 million bales—is also expected for Brazil after producing a record 7.4 million bales in 2007/08. In Brazil, farmers have been pessimistic about planting intentions due to tight credit conditions and low cotton prices. China, Pakistan, and Uzbekistan are each estimated to show a reduction of 500,000 bales in 2008/09 production. In India, 2008/09 production is forecast at 24 million bales, down 2.4 percent from last season.

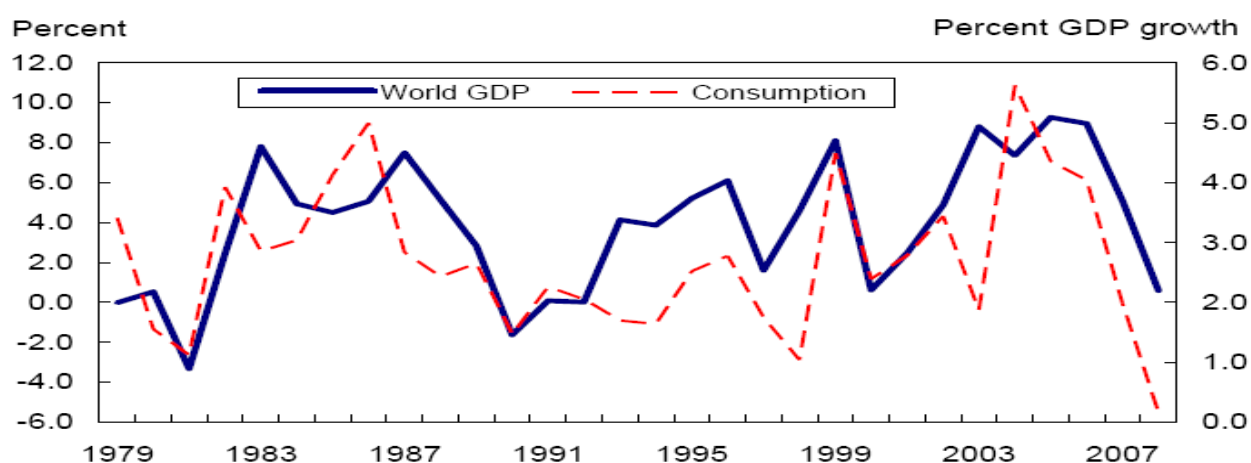
Global harvested cotton area is forecast at 31.2 million hectares, a reduction of 6 percent from last year. At the current estimate, world cotton acreage will be lowest since 2002/03 when area harvested was 30.7 million hectares. World yield in 2008/09 is estimated at 779 kilograms per hectare, showing decline of 12 kilograms per hectare from a year ago.

World Cotton Consumption Plunges in Global Financial Crisis

World cotton consumption in 2008/09 is estimated at 116.6 million bales, down 6.8 million bales (5.5 percent) from last year and the lowest since 2005/06. Among major cotton-consuming countries in 2008/09, mill use will decline in China (-2.5 million bales), Turkey (-1.2 million), India (-800,000), Pakistan (-600,000), the United States (-309,000), and Brazil (-200,000). The declining mill use follows weak consumer demand resulting from the ongoing global liquidity crisis. The impact of the liquidity crisis has, however, been uneven across regions. Developed economies, which are much more integrated in the global financial and trade systems, have taken the worst hit when compared with developing economies. Consumers in the developed economies account for about half of world cotton use.

The International Monetary Fund projected in its November 2008 World Economic Outlook update that world economic growth will weaken from the 3.8 percent seen in 2008 to 2.2 percent in 2009. In advanced¹ economies especially, economic growth is projected to contract further from the 1.4 percent in 2008 to -0.3 percent in 2009. These projections show a contraction in output for the first time since World War II. In emerging and developing countries, growth in economic activity is forecast to slow down from 6.6 percent in 2008 to 5.1 percent in 2009. Figure 1 shows the relationship between world cotton use and gross domestic product (GDP) growth.

Figure 1 World cotton consumption and GDP growth, 1980-2008



Sources: Cotton Consumption: USDA, World Agricultural Board, GDP growth: International Monetary Fund, World Economic Outlook.

¹ According to the IMF classification, advanced economies include the United States, Germany, France, Italy, Spain, Japan, United Kingdom, and Canada. Emerging and developing economies include sub-Saharan African countries, Commonwealth of Independent States, Central and Eastern Europe, China, India, Middle East, Brazil and Mexico.

World Cotton Trade to Decline Sharply in 2008/09

World cotton exports in 2008/09 are projected at 32.8 million bales, 5.9 million bales (15.2 percent) below last year and the lowest since 2002/03. Weak global demand driven by tight credit explains most of the export decline. India, the United States, and Uzbekistan are projected to experience export declines of 32.4 percent, 10.3 percent, and 13.6 percent, respectively, in 2008/09.

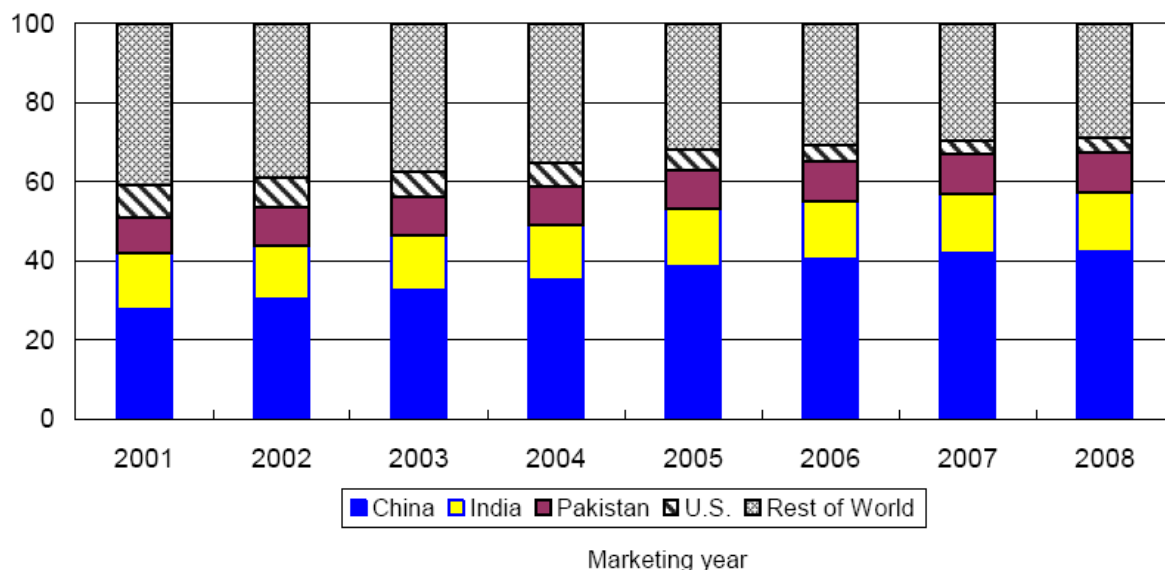
World cotton imports are also forecast at 32.8 million bales in 2008/09, representing a 5.2-million-bale (13.8 percent) drop from 2007/08. Major cotton-importing countries such as China, Pakistan, and Turkey are expected to show reductions in imports by 2.5 million bales (22 percent), 900,000 bales (23 percent), and 667,000 bales (20 percent), respectively.

Foreign Cotton Mill Use Concentration Continues

The share of global cotton mill use continues to climb for countries such as China, India, and Pakistan (fig. 2). In 2000/01, these three countries accounted for less than half of the world's cotton mill use, but are currently projected to account for more than two-thirds. China leads the way, spinning nearly 43 percent of the total cotton spun. Shares for India and Pakistan have grown more slowly to 15 and 10 percent, respectively. Meanwhile, the United States continues its decade-long trend lower.

The latest U.S. Department of Agriculture (USDA) cotton forecasts for 2008/09 indicate that global cotton mill use is projected to decrease 5.5 percent from 2007/08. The current global economic slowdown has impacted textile mill activity in most of the consuming countries, with only a few exceptions. Although significant reductions in projected cotton mill use have been made this season, mill use is becoming even more concentrated among a few countries.

Figure 2: World cotton consumption shares
Percent



Source: USDA, World Agricultural Board.

World Cotton Status for 2007-08

The production and consumption (domestic use) of world cotton was estimated to be lower by 1.2 and 0.62 per cent respectively for 2007-08 over 2006-07. World Cotton Supply was estimated at 221.63 million bales (480-pound per bale) in 2006-07, has gone down by 0.1 percent to 221.38 million bales in 2007-08. However, there was growth of around 3 percent in world cotton trade in same period. USA, India and Brazil, who were major exporters in the world of cotton, led the high export growth of 5.2 percent in year 2007-08 over 2006-07. While Pakistan, Mexico, Bangladesh, China and Indonesia as major importers, have driven up the imports by 4.5 percent in 2007-08 over 2006-07.

USA, India and Brazil constituted the 60 percent of total world cotton exports in 2007-08. Other major cotton exporters were Egypt, Syria; counties from Central Asia like Azerbaijan, Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, and Uzbekistan; African countries namely Benin, Burkino Faso, Cameroon, Central African Republic,

Chad, Cote d'Ivoire, Mali, Niger, Senegal, and Togo; countries in southern hemisphere namely Argentina, Australia, Brazil, Paraguay, South Africa, and Zimbabwe. China, Pakistan, Turkey, Bangladesh, Indonesia and Thailand have two-third of total world cotton imports in year 2007-08. While other major cotton importers were Mexico, Hong Kong, Japan, South Korea, Taiwan, and Vietnam.

Table-2 : World Cotton Supply and Use*							
2007/08 (Estimated) (Million 480-pound bales)							
Region	Supply			Use			Ending Stock
	Beginning Stock	Production	Imports	Domestic	Exports	Loss 1/	
World:	62.81	120.54	38.04	122.69	38.44	-2.06	62.31
United States:	9.48	19.21	0.01	4.61	13.65	0.39	10.04
Major exporters :	20.14	47.18	1.47	27.79	21.29	-0.14	19.85
Central Asia 2/:	2.27	8.35	0.04	1.63	6.53	0	2.5
Afr. Fr. Zone 3/:	1.13	2.46#		0.19	2.56	0	0.84
S. Hemis. 4/:	7.67	9.3	0.53	5.83	3.94	-0.15	7.88
Australia:	1.15	0.62#		0.05	1.22	-0.02	0.53
Brazil:	5.41	7.36	0.16	4.6	2.23	-0.15	6.25
India:	7.66	24.6	0.45	18.3	7.03	0	7.38
Major importers :	31.15	51.24	33.91	85.72	2.4	-2.31	30.5
Mexico:	1.03	0.62	1.53	2	0.22	0.03	0.93
China:	20.54	37	11.53	51.5	0.06	-2.5	20
EU-27:	0.83	1.51	1.58	1.81	1.36	0.05	0.7
Russia:	0.22#		1.2	1.23	0	0	0.2
Turkey:	1.95	3.1	3.27	6	0.37	0	1.95
Pakistan:	4.38	8.9	3.9	12.4	0.27	0.03	4.48
Indonesia:	0.35	0.03	2.3	2.23	0.02	0.05	0.39
Thailand:	0.35	0.02	1.93	1.95	0	0.03	0.32
Bangladesh:	0.51	0.04	2.8	2.75	0	0.01	0.58

* Marketing year beginning August 1. Totals may not add exactly and trade may not balance due to rounding and other factors.

Less than 5,000 bales.

1/ Generally reflects cotton lost or destroyed in the marketing channel

2/ Azerbaijan, Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, and Uzbekistan.

3/ Benin, Burkino Faso, Cameroon, Central African Republic, Chad, Cote d'Ivoire, Mali, Niger, Senegal, and Togo.

4/ Argentina, Australia, Brazil, Paraguay, South Africa, and Zimbabwe.

Source : USDA

Table-3: World Cotton (Distribution) share Percentage for 2007/08						
Region	Supply			Use		Ending Stock
	Beginning Stock	Production	Imports	Domestic	Exports	
United States:	15.1	15.9	0.0	3.8	35.5	16.1
Major exporters :	32.1	39.1	3.9	22.7	55.4	31.9
Central Asia :	3.6	6.9	0.1	1.3	17.0	4.0
Afr. Fr. Zone :	1.8	2.0		0.2	6.7	1.3
S. Hemis. :	12.2	7.7	1.4	4.8	10.2	12.6
Australia:	1.8	0.5		0.0	3.2	0.9

Brazil:	8.6	6.1	0.4	3.7	5.8	10.0
India:	12.2	20.4	1.2	14.9	18.3	11.8
Major importers :	49.6	42.5	89.1	69.9	6.2	48.9
Mexico:	1.6	0.5	4.0	1.6	0.6	1.5
China:	32.7	30.7	30.3	42.0	0.2	32.1
EU-27:	1.3	1.3	4.2	1.5	3.5	1.1
Russia:	0.4		3.2	1.0	0.0	0.3
Turkey:	3.1	2.6	8.6	4.9	1.0	3.1
Pakistan:	7.0	7.4	10.3	10.1	0.7	7.2
Indonesia:	0.6	0.0	6.0	1.8	0.1	0.6
Thailand:	0.6	0.0	5.1	1.6	0.0	0.5
Bangladesh:	0.8	0.0	7.4	2.2	0.0	0.9

Source : USDA

Table-4: Growth (% change) in 2007/08 over 2006-07

Region	Supply			Use		Ending Stock
	Beginning Stock	Production	Imports	Domestic	Exports	
World:	1.0	-1.2	1.6	-0.6	3.6	-0.8
United States:	56.2	-11.0	-50.0	-6.7	4.9	5.9
Major exporters :	2.1	3.3	-33.8	1.4	5.2	-1.4
Central Asia :	2.7	2.0	-87.1	8.0	-5.8	10.1
Afr. Fr. Zone :	-23.7	-32.4		0.0	-32.8	-25.7
S. Hemis. :	17.1	-5.7	-44.2	0.9	-3.7	2.7
Australia:	-40.7	-54.1		-16.7	-42.7	-53.9
Brazil:	49.5	5.1	-69.2	0.7	71.5	15.5
India:	-5.0	12.8	-4.3	1.1	53.8	-3.7
Major importers :	-8.9	-0.7	4.5	-0.8	-2.8	-2.1
Mexico:	-22.0	-4.6	13.3	-4.8	22.2	-9.7
China:	-8.9	4.2	8.9	3.0	-33.3	-2.6
EU-27:	-29.7	-6.2	-21.8	-23.3	-13.9	-15.7
Russia:	0.0		-14.3	-12.1		-9.1
Turkey:	12.7	-18.4	-18.9	-17.8	23.3	0.0
Pakistan:	-10.8	-10.1	68.8	-0.8	22.7	2.3
Indonesia:	-5.4	0.0	4.6	2.3	0.0	11.4
Thailand:	-14.6	0.0	1.1	0.0		-8.6
Bangladesh:	10.9	-33.3	12.9	10.9		13.7

Source : USDA

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