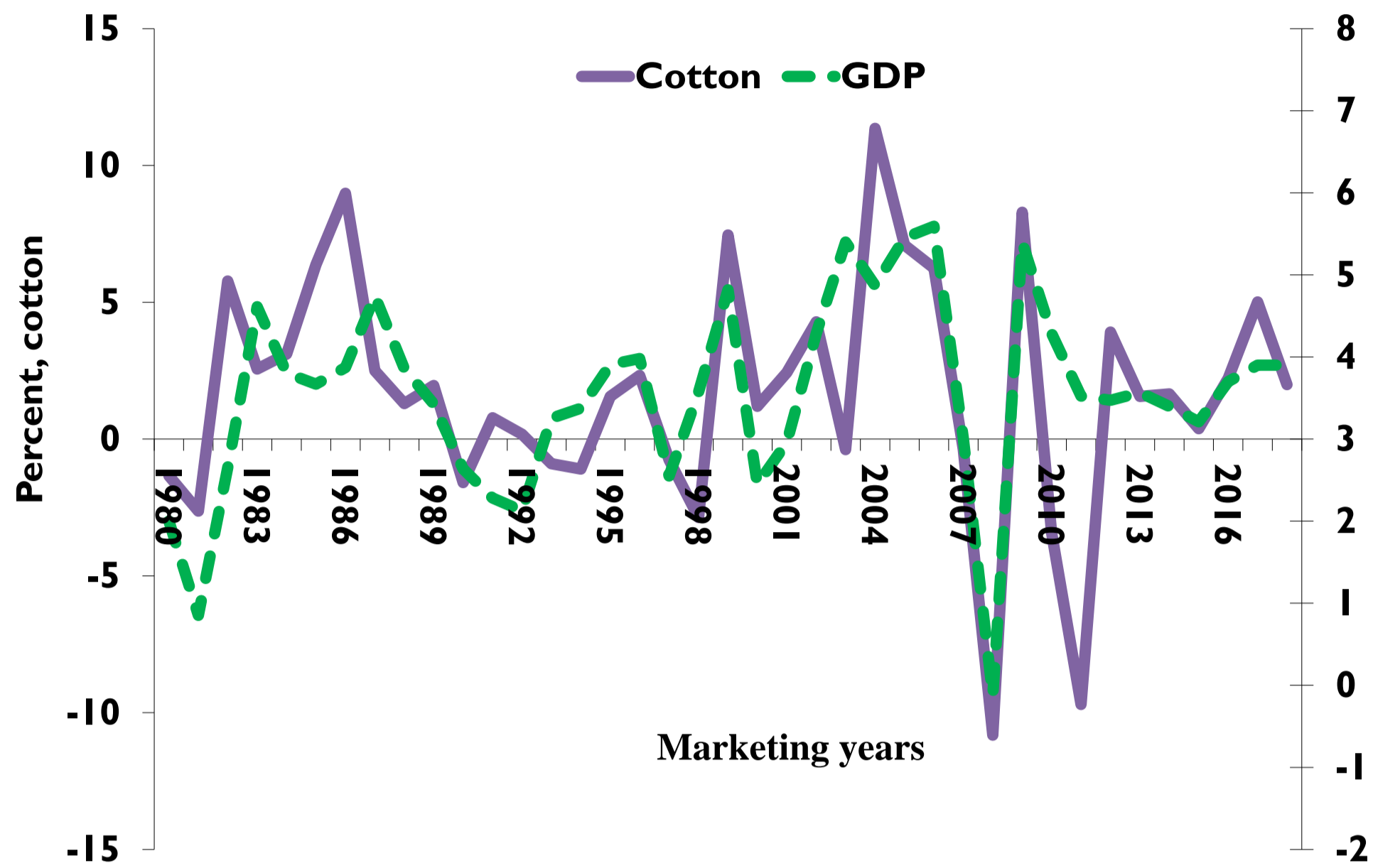


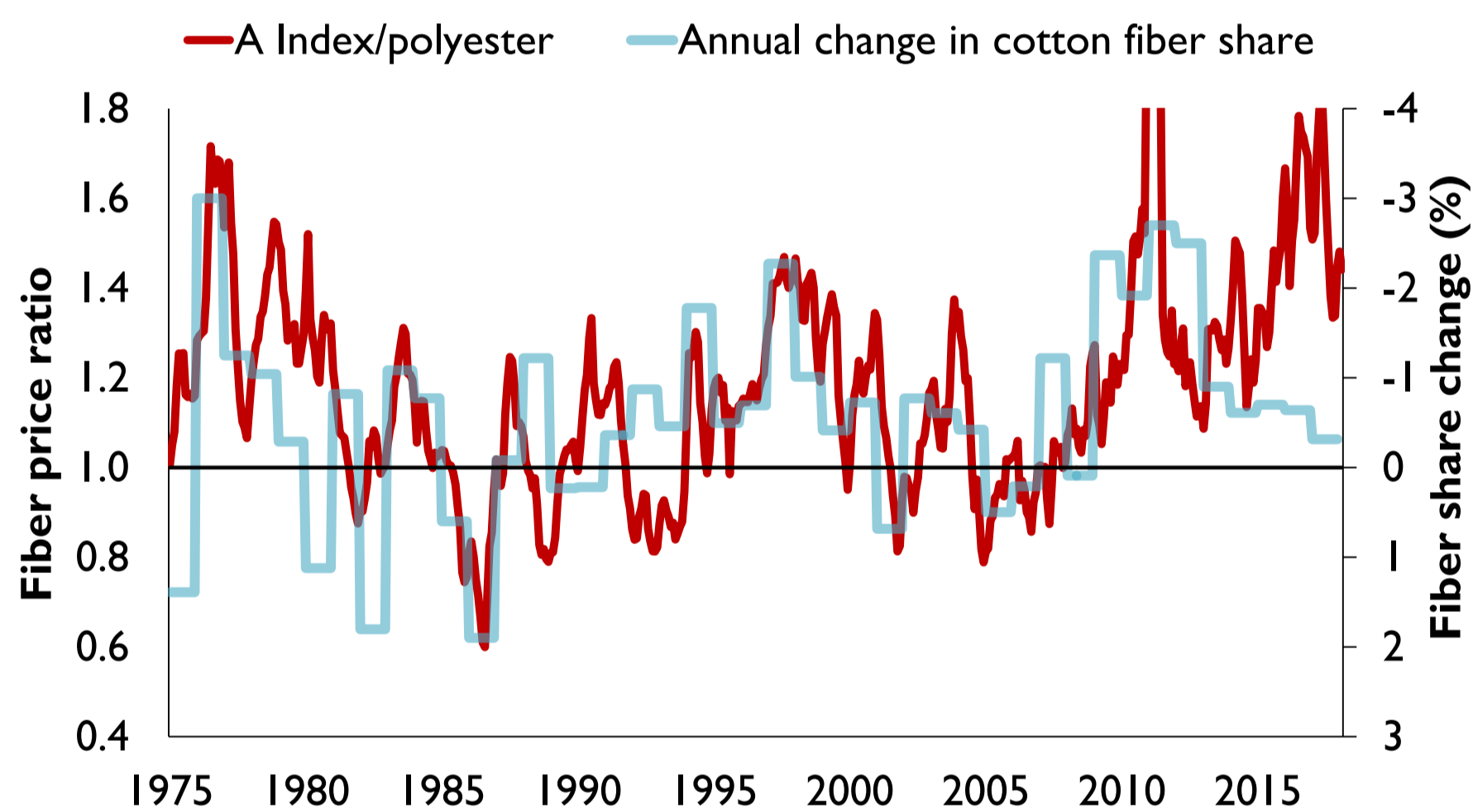
# Trends and Outlook for Global Cotton Supply and Use

## Cotton Consumption Growth Closely Tracks Global GDP Growth



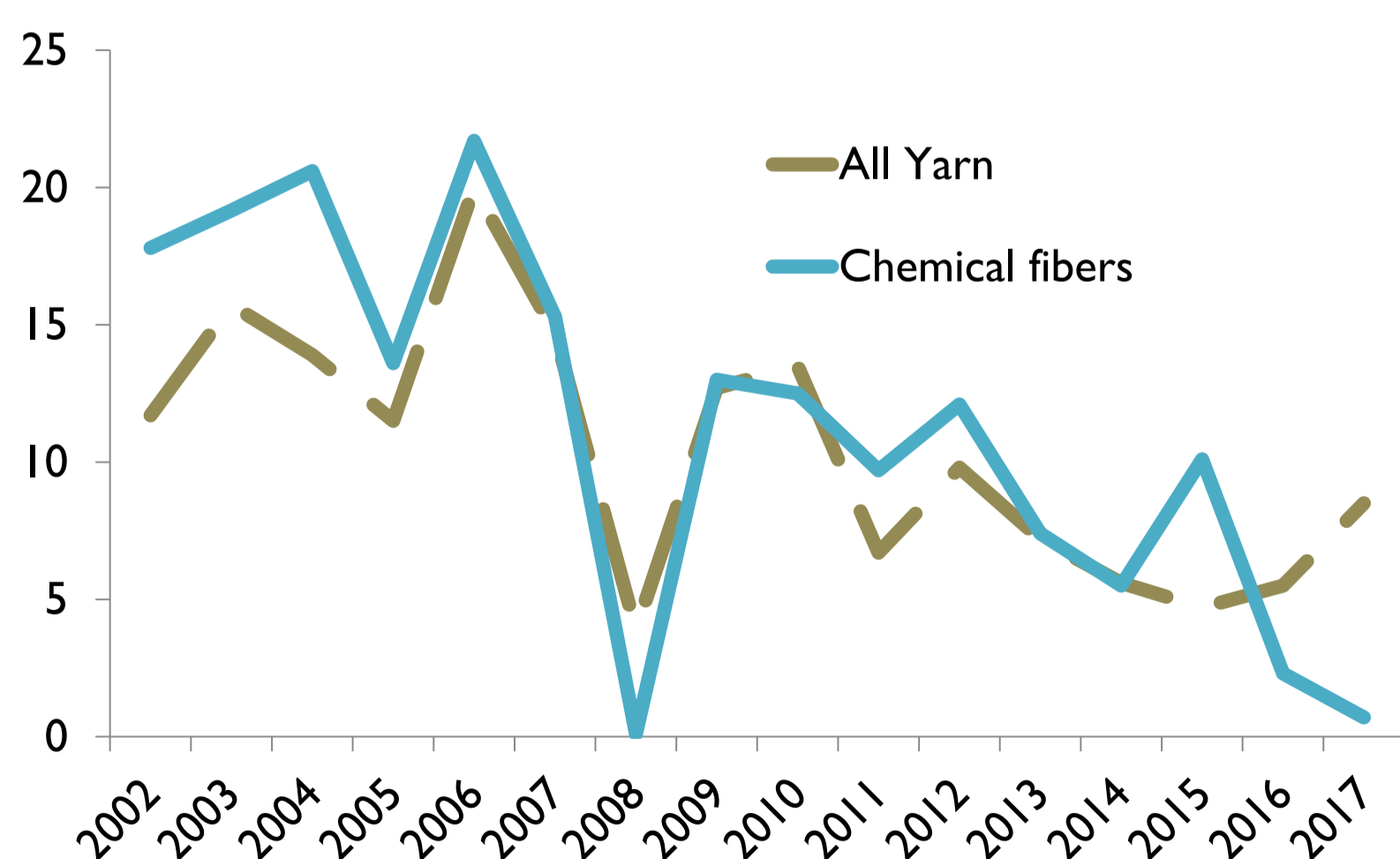
Globally, trends in cotton consumption growth closely mirror trends in global income and output. As a key industrial input in a major sector, textiles, this is to be expected. However, cotton is not alone in this sector, and competes against other fibers, particularly manmade fibers like polyester.

## Cotton/Polyester Price Ratio Shifts in Cotton's Favor—But Historically High



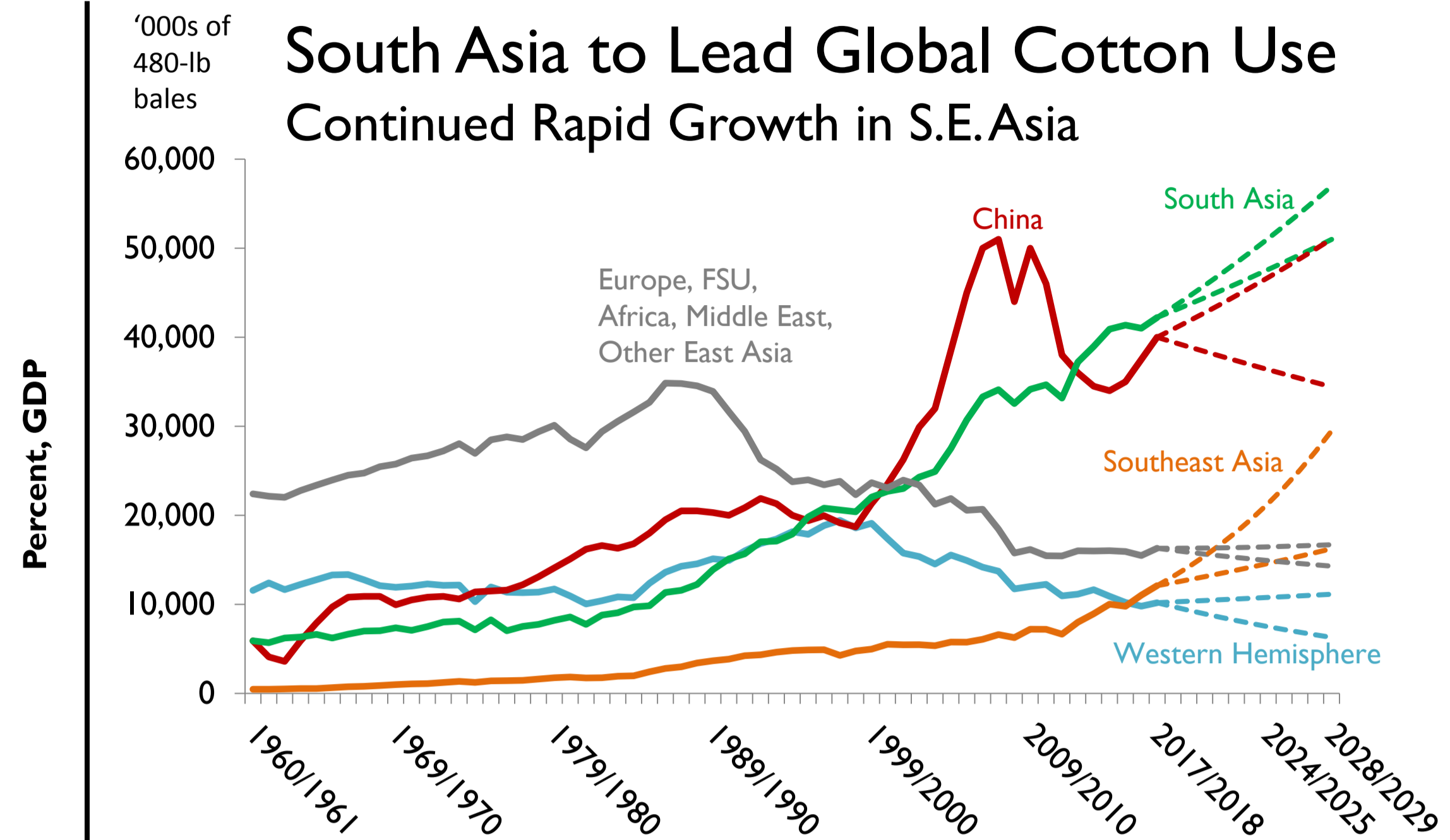
In February 2018, the cotton/polyester price ratio, which has historically predicted the annual change in cotton's share of fiber consumption fairly well, had come down by 16% year-on-year. This suggests that cotton's share of total fiber consumption should not fall as rapidly as in the last several years.

## China's Yarn Output Rises, But Chemical Fiber Production Falls



Year-over-year, yarn output in China grew faster in 2017 than in 2016, yet chemical fiber production barely grew at all. While sources of weaker chemical fiber output performance are unclear, possibly including tightened environmental regulations, the outcome for cotton is likely positive: more yarn with less polyester should result in more cotton use, and a stabilized cotton share of yarn spinning in China. Chemical fiber output is still greater than all yarn production in China, so oversupply persists, but that oversupply is becoming less extreme.

## South Asia to Lead Global Cotton Use Continued Rapid Growth in S.E. Asia



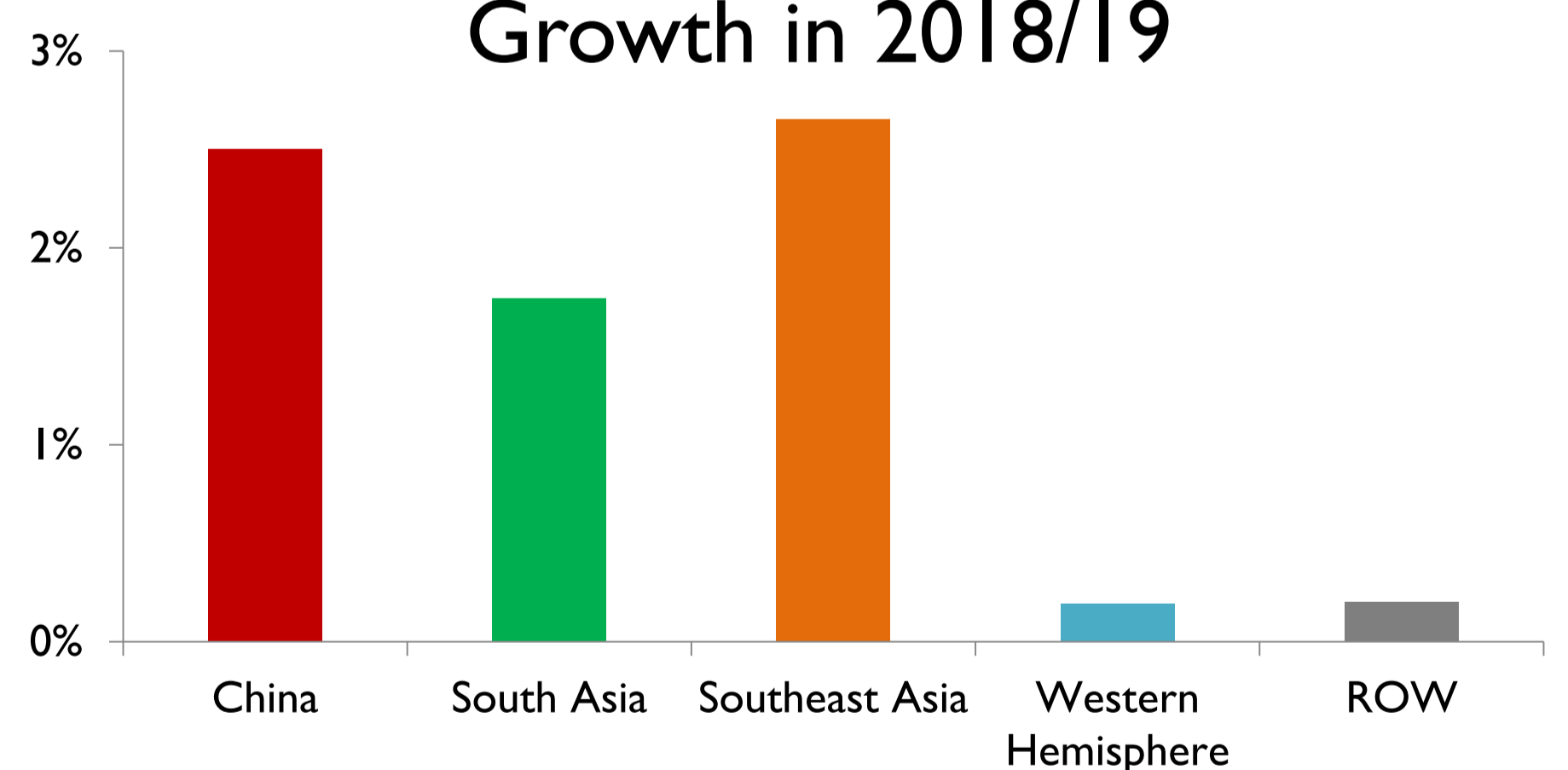
The exact distribution of consumption, however, is more challenging to forecast than total global consumption. The global distribution of cotton spinning is changing. China's extraordinary boom after the end of the Multi-Fiber Agreement and its WTO accession was eventually followed by a sharp decline. Meanwhile, South Asia saw steadier growth, allowing it to surpass China's cotton spinning, a relationship likely to remain true for another decade at least.

Meanwhile, Southeast Asia now consumes more cotton than the entire Western Hemisphere, led by rapid growth in Vietnam. This trend is likely to persist given the pace of market development in these countries, with the result that, within a decade, Southeast Asia may have as much or more cotton consumption than the entire area of Africa, Europe, the FSU, the Middle East, and Japan and Korea combined.

**Over the next decade, growth in spinning will be focused in South and Southeast Asia.**

There may also be some breakout growth in some parts of East Africa and Central Asia, where market conditions are beginning to appear favorable for local yarn spinning. The development of yarn spinning in West Africa, or a major recovery of European or Western Hemisphere spinning, does not seem to be on the horizon.

## China, Southeast Asia to Lead Spinning Growth in 2018/19



USDA's 2018/19 outlook for cotton use suggests continued strong growth in Southeast Asia and China, as conditions for spinning in Southeast Asia remain excellent, especially in Vietnam, while China's previously discussed lower chemical fiber share may help support cotton use. South Asia meanwhile will see spinning growth very near the world average growth rate, led by growth in Bangladesh, currently the world's largest importer and expected to remain a top-5 global importer for the forecastable future.

Growth in the rest of the world is forecast to be far more sluggish. Weak spinning growth in the United States and Brazil continue to hold back the Western Hemisphere growth rates, although if Mexico's large 2017/18 crop represents a long-term change, it could induce more spinning there. Outside of the Western Hemisphere, comparatively robust growth rates are expected in Central Asia, particularly Uzbekistan, but elsewhere growth rates will continue to be low.

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