



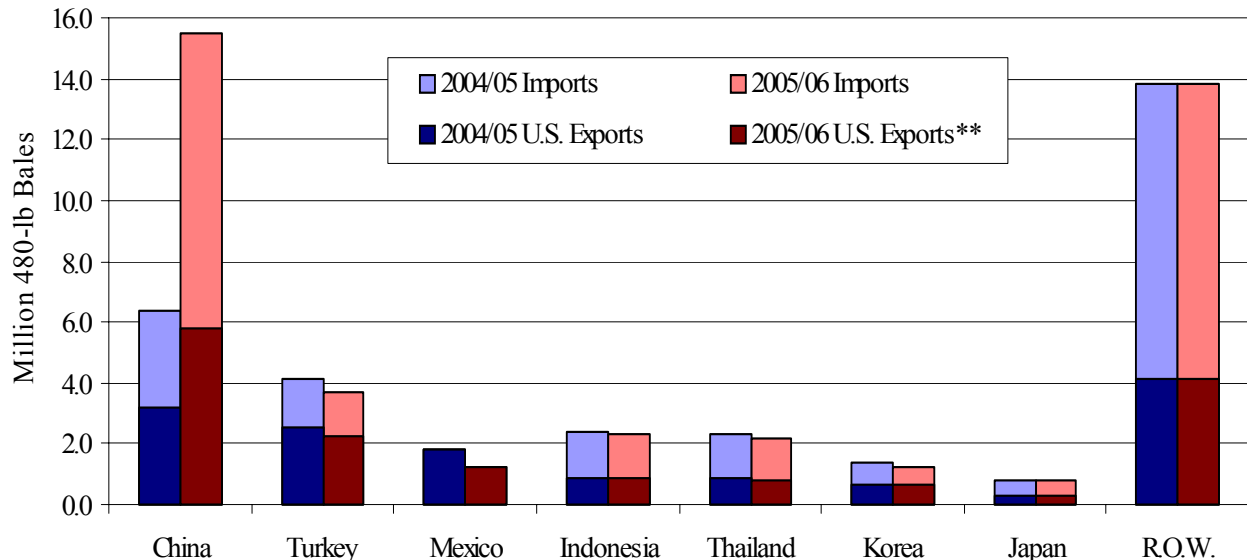
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# Cotton: World Markets and Trade

## U.S. Market Share Likely Declines in 2005/06



\*\* Assumes MY2004/05 U.S. market share for 2005/06 outside China

China's imports are expected to reach 15.5 million bales in 2005/06, 9.1 million bales above 2004/05. However, U.S. exports are forecast to increase by only 1.6 million bales, and U.S. ending stocks are expected to increase 750,000 bales. The United States will face pressure in China from Brazilian, African, Central Asian, and Subcontinent producers who carry in large stocks from 2004/05. These countries have increased exports to China in recent years and their large exportable supplies will position them well in 2005/06. Since 1999/00, the U.S. share of China's imports has ranged from 60 percent (2002/03) to 50 percent (2004/05).

U.S. exports to China and overall foreign competition will be determining factors of U.S. export distribution elsewhere in 2005/06. Foreign exports are projected to increase 18 percent in 2005/06, compared to 11 percent for the United States. A large exportable supply in Australia will constrain U.S. opportunities in Indonesia, Japan, Thailand, and Korea; similar circumstances are expected of Greece in Turkey. As Brazil's exports increase, its presence in U.S. markets should follow. Since 2001/02, Brazil's shares in Japan and Korea have increased from zero to 19 percent and zero to 17 percent, respectively. In Mexico, where U.S. cotton faces little competition, export opportunities are bearish. Unprecedented beginning stock levels, increasing production, and decreasing consumption will lower import demand by a third to 1.2 million bales.

Combined imports by Mexico, Turkey, Thailand, Indonesia, Korea, and Japan are expected to decline by 1.4 million bales or 11 percent and together accounted for 45 percent of U.S. 2004/05 exports outside China. Assuming current estimates and U.S. market share in the world outside China holds constant, U.S. share of China would fall to 37 percent or 2.0 million bales short of retaining its historical 50-60 percent market share. While the U.S. share of non-Chinese import demand is likely to fall due to greater foreign competition, this analysis indicates that it may be difficult to sustain a 50-percent U.S. market share of China's imports.