

Commodity Analysis: Cotton

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For centuries, cotton has been an essential part of U.S. agriculture, critical in domestic markets and international trade. As the world's most widely used natural fiber, cotton serves various industries ranging from textiles to industrial applications. Since 1993, the U.S. has remained the leading global exporter of cotton, accounting for 27% of total exports (Cotton, 2024). Primarily grown in the "Cotton Belt," a region that stretches from Virginia to California, Texas, Georgia, Arkansas, Missouri, and Mississippi are the largest producers of cotton in the U.S. (FAS, 2024; Statista, 2024). The value of U.S. cotton is deeply tied to its legislative support through the Farm Bill, its key international export markets, and its strategic significance in U.S. foreign and agricultural policy. Understanding these factors highlights cotton's vital role in maintaining U.S. influence in global trade.

Cotton is one of the most economically important crops in the U.S., contributing significantly to the nation's agricultural economy. U.S. cotton production dominates global markets, with exports valued at \$5.95 billion and an annual production of 2.78 million metric tons (Cotton, 2024). Cotton thrives in 17 states across the Cotton Belt due to favorable climate conditions and advanced farming technology that boosts yield (FAS, 2024). On average, U.S. cotton farmers produce 1 and 1/3 bales per acre, weighing around 500 pounds each (Cotton, 2024). Cotton's versatility makes it indispensable, as it is used for everything from personal products such as clothing and to industrial products like plastics and paper. Additionally, U.S. cotton is vital to meeting the global demand for textiles, particularly in countries that rely on consistent imports to support their internal industries, such as China, Pakistan, Vietnam, and Turkey.

The success of the U.S. cotton industry is bolstered by substantial legislative support through the Agriculture Improvement Act of 2018 (Farm Bill). This legislation includes several key programs that help mitigate financial risks for cotton producers. The Agriculture Risk Coverage and Price Loss Coverage programs offer income support when market prices drop or when crop revenue is lower than expected (USDA, 2019). These programs are vital to keeping producers competitive in unpredictable global markets. Additionally, programs like Marketing Assistance Loans provide farmers with the financial flexibility they need at harvest time, allowing them to avoid selling their cotton when prices are at their lowest (USDA, 2019). Other programs, such as Farm Operating Loans and Farm Ownership Loans, help producers cover operational costs and expand their farms. On the sustainability side, the Conservation Stewardship Program and the Environmental Quality Incentives Program incentivize sustainable farming practices that help cotton producers meet the USDA's goal of improving land stewardship (USDA, 2019).

The U.S. exports cotton to several major textile-producing nations, with China being the largest importer. Each year, the U.S. sends over \$1.55 billion worth of cotton to China alone, followed by \$800.28 million to Pakistan, \$748.33 million to Vietnam, and \$660.59 million to Turkey (FAS, 2024). These exports are supported by international trade agreements such as those governed by the World Trade Organization (WTO), which helps ensure fair trade practices and resolve disputes, making the cotton flow from the U.S. to these countries smoother (WTO, 2024). These trade relationships strengthen the U.S. agricultural export market and build economic ties that extend U.S. influence across the globe (USDA, 2019). Furthermore, the historical value of cotton

has transcended occasional trade disputes and driven progress such as that resulting from the "Phase One" Agreement.

While countries like China, India, and Pakistan are also major cotton producers, each faces challenges that limit their production capabilities and increase dependency on the U.S. Though China is one of the world's largest cotton producers, its output cannot meet the growing demand resulting from its booming textile industry (Gale, 2022). Similarly, while large producers, Pakistan and India struggle due to outdated farming technology and water shortages, making it a challenge to keep pace with global demand. As a result, these countries turn to U.S. cotton to fulfill their manufacturing requirements, particularly when producing export-quality textiles (Cotton, 2024).

Several factors limit the ability of countries like China, Vietnam, and Pakistan to boost their domestic cotton production. In many areas, geography and climate pose challenges for cotton production. For instance, large-scale cotton farming is made difficult for China and Pakistan due to water shortages and poor soil conditions (FAS, 2024). Droughts and inadequate irrigation systems further exacerbate these environmental issues. Additionally, the lack of modern farming equipment and limited pest control methods hinder crop production in these regions (Service, 2024). As a result, these countries are ill-equipped to fully replace U.S. cotton with domestic production (Service, 2024).

From a strategic perspective, U.S. cotton exports are vital for maintaining economic and political influence in Southeast Asia and the Middle East. Cotton exports align directly with the USDA's Strategic Goal (SG) 3: Promote American Agricultural Products and Exports by ensuring that American cotton maintains a dominant position in

the global market (USDA, 2024). Strengthening trade relationships with countries like China and Vietnam enables the U.S. to leverage its agricultural power to build long-term dependencies that benefit American economic interests. These relationships also help counter the influence of competing nations like Brazil and India, both of which are significant cotton exporters. U.S. cotton exports also support SG 2: Maximize the Ability of American Agricultural Producers to Prosper by Feeding and Clothing the World, as international demand for high-quality U.S. cotton continues to grow (USDA, 2018).

Despite its historical dominance in the market, the U.S. faces mounting competition from major cotton-exporting countries like Brazil and India (Ridley, 2023). Since the mid-2000s, Brazil has emerged as a strong competitor due to its farm sector expansion, strengthened by deforestation and a favorable climate that supports a single plot of land to yield multiple crops annually (Valdez, 2022). Additionally, while a leading producer, India struggles with inconsistent quality and low yields. Nonetheless, the U.S. maintains the competitive advantage and stronghold in global markets due in part to superior farming technology, consistent crop quality, and strong trade relationships with significant textile manufacturing countries. (FAS, 2024).

Cotton remains a cornerstone of U.S. agriculture that contributes billions of dollars to the economy annually while serving as a critical component of the global textile supply chain. By enjoying strong federal support via the Farm Bill, U.S. cotton farmers are well-positioned to continue thriving within the competitive international market (PLC, 2024). The U.S.'s strong export relationships with countries like China and Vietnam generate an international reliance on U.S. trade and underscore the strategic importance of cotton to American trade and foreign policy (FAS, 2024). As global

demand for cotton grows, the United States' dominance in the export market benefits the nation and its farmers while maintaining influence within key regions.

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