

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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Australia

Cotton and Products Annual

2014

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Report Highlights:

Australia's cotton outlook has been affected by adverse seasonal conditions with production and exports forecast to decline by around 5 per cent in 2014/15. China remains pivotal in the world cotton market with prices for Australian cotton exports forecast to decline by 15 per cent as China gradually unwinds its cotton stockpile, which accounts for 60 per cent of global stocks.

Commodities:

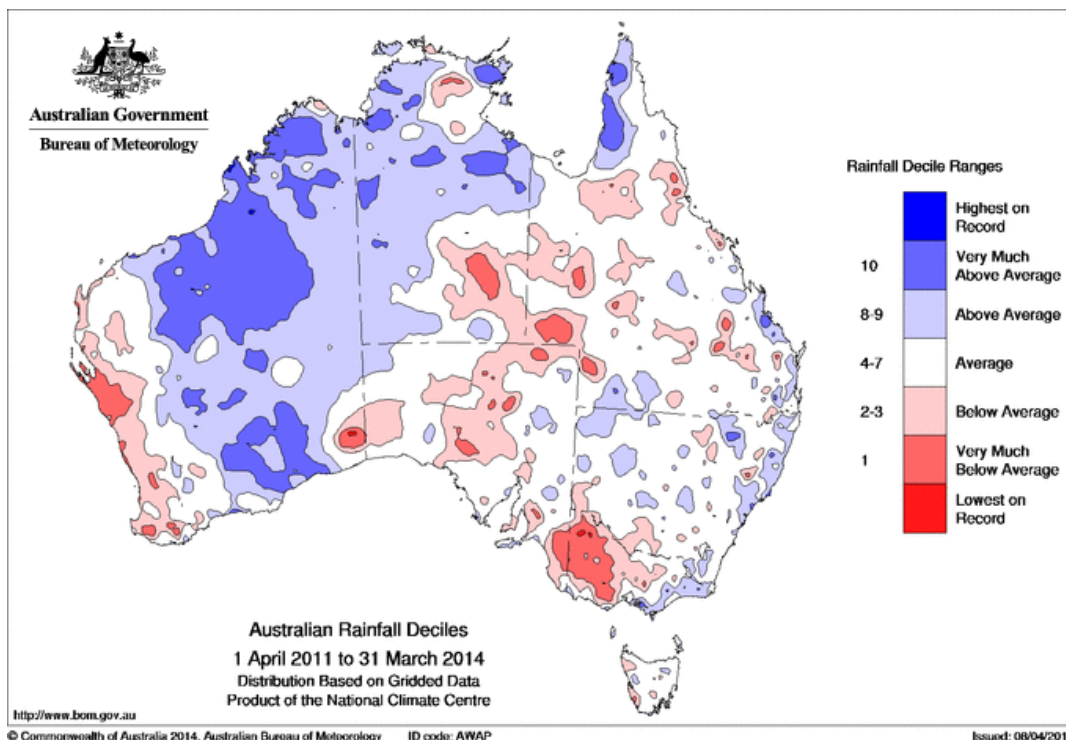
Cotton

Overview

Australia is one of the world's largest exporters of raw cotton with over 90 per cent of the domestic crop exported, mainly to China, Indonesia and Thailand. Cotton is predominantly irrigated and grown in New South Wales (NSW) and southern Queensland. Australia is an efficient producer with the world's highest cotton yields due to the predominance of irrigation, the use of genetically modified varieties and effective management. The industry receives a low level of assistance from government and operates under an unregulated marketing system.

Seasonal Conditions

Australia experienced two very wet years in 2010 and 2011, but extensive drought conditions were evident in eastern Australia from late 2012 and worsened over the following year. One third of cotton production occurs in Queensland and two thirds in NSW. Both crops were affected by hot and dry conditions during the planting season from September to December. At year end-2013, 80 per cent of Queensland was declared drought-affected, the highest proportion on record. The Australian Bureau of Meteorology expects a continuation of these conditions, but normal rainfall from February 2014 should lift cotton production over 2014/15.



Low rainfall reduced the average storage level of public irrigation dams in cotton growing regions to 40 per cent of capacity by February 2014, compared with nearly 70 per cent a year earlier. By early April 2014, however, storage levels in the Murray Darling Basin reached 50 per cent, increasing available flows to irrigated cotton.

Cotton Planting

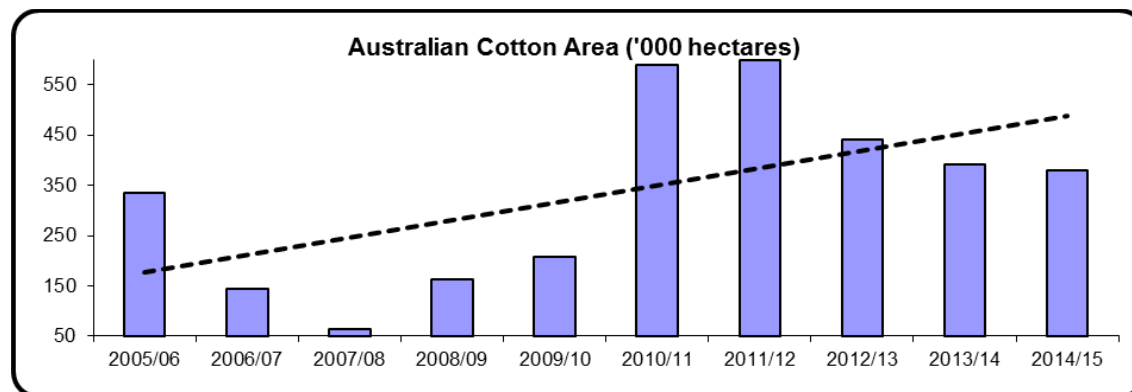
The area planted to cotton in NSW is forecast to decline slightly in 2014/15 to 248,000 hectares, but the yield will increase slightly due to the low share of dryland cotton. Cotton plantings in Queensland are forecast to fall three per cent to 132,000 hectares. For Australia overall, the area of cotton planted is expected to be around 380,000 hectares in 2014/15.

Summer cotton crop forecasts for NSW and Queensland, 2013/14 and 2014-15

Area by cotton type	Area ('000 ha)		Production ('000 tons)	
	2013/14	2014/15	2013/14	2014/15
NSW				
Cotton lint	256	248	621	559
Cottonseed	256	248	878	790
Queensland				
Cotton lint	136	132	320	288
Cottonseed	136	132	452	407
Australia				
Cotton lint	392	380	940	900
Cottonseed	392	380	1,330	1,200

Note: Yields are based on areas planted.

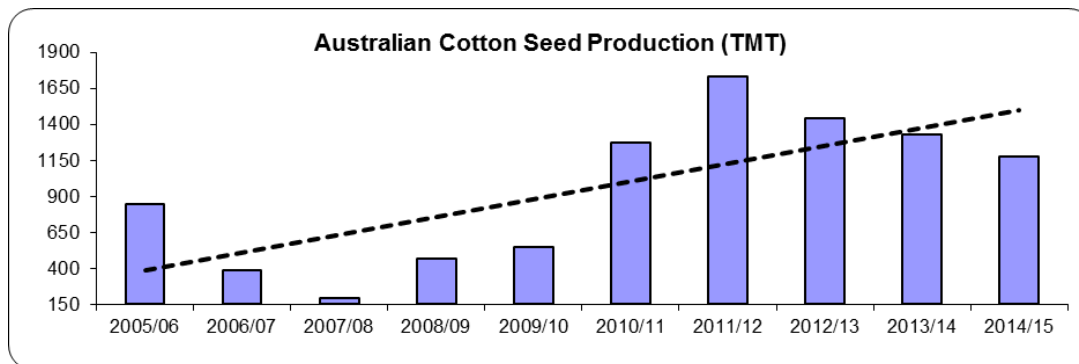
Source: ABARES (2014), Australian Crop Report and industry contacts.



Source: ABARES Data

Cotton Production

Cotton production in 2014/15 is forecast at 900,000 tons, the lowest in three years, but above recent official estimates of around 830,000 tons. The continuation of more normal rainfall in 2014 and the easing of drought conditions suggest production in 2014/15 could reach 1.2 million tons of cottonseed, 900,000 tons of cotton lint or 4.1 million cotton bales.

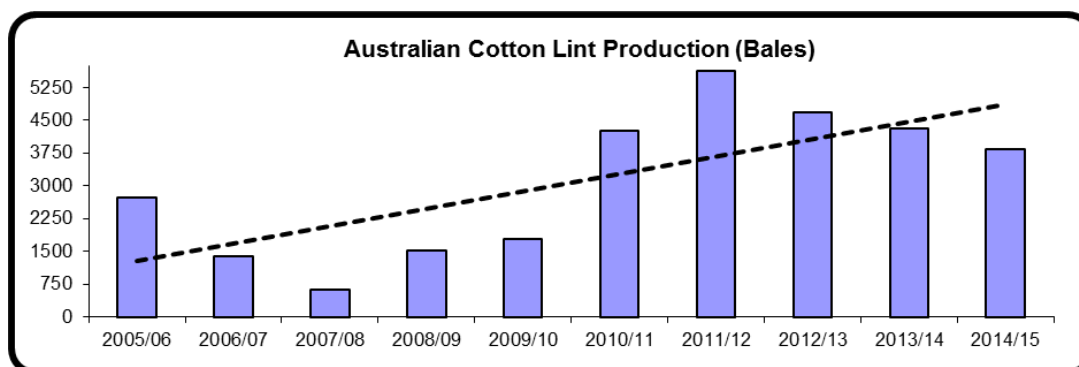


Source: ABARES Data

Developments in Cotton Research and Area Trials

Australia has developed new strains of cotton to suit local conditions. The cotton R&D program is funded by cotton growers who pay a compulsory levy of \$2.25 per bale of cotton they produce and this is matched by the Australian government. The plant breeding program is led by the Commonwealth Scientific and Industrial Organization (CSIRO) and also includes Cotton Australia and the Cotton Research and Development Corporation (CRDC). Pesticide use by cotton growers decreased by 80 per cent over the period 2000-2010 due to effective pest management strategies and the use of biotechnology.

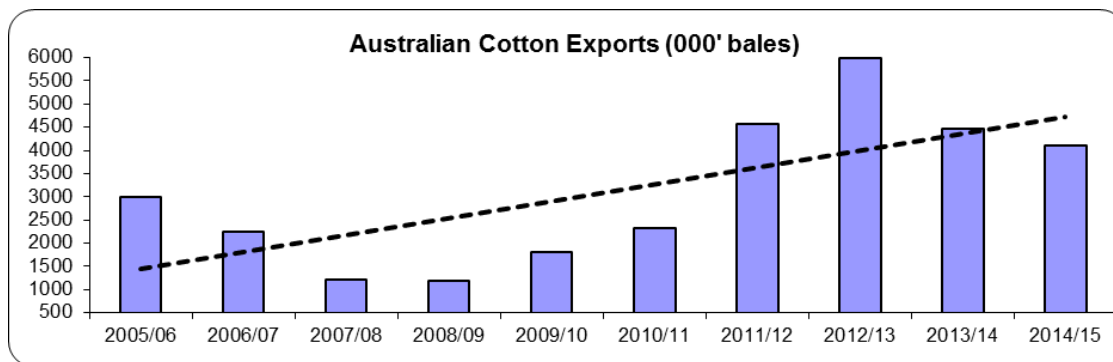
In an attempt to extend cotton plantings to Victoria, there have been a series of trial plantings in that State, which are still under review. In addition, cotton was previously grown in the Ord River irrigation area of Western Australia and crop trials are being undertaken by the CSIRO.



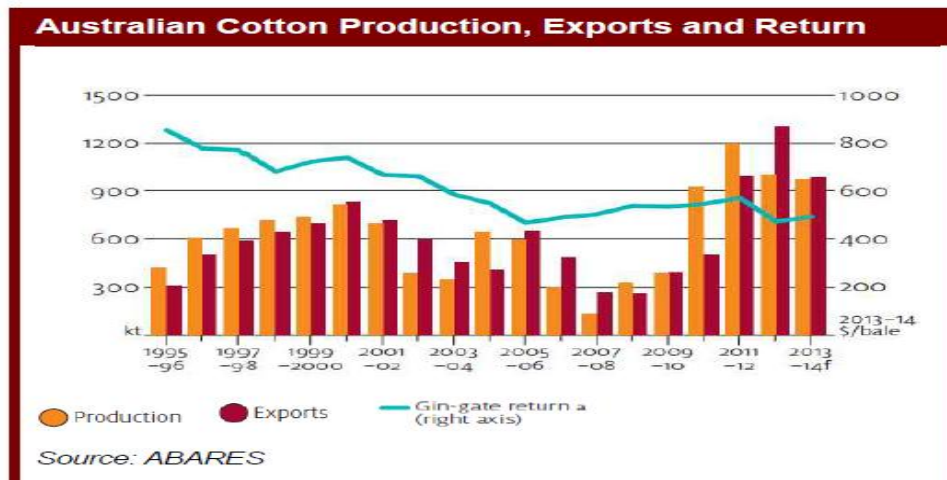
Source: ABARES Data

Trade

Australia exports around 95 per cent of its raw cotton, with three quarters sold to China. The Australian cotton harvest occurs from March to June and is mostly exported during the following marketing year. Exports reached a record level of 1.3 million tons in 2012/13, but fell to 975,000 tons in 2013/14 and are expected to be 900,000 tons in 2014/15. Australia ranks as the world's third largest cotton exporter, behind the United States and India. In April 2014, Australia and Japan signed an Economic Partnership Agreement (AJEPA) which will bind tariffs at zero in the Japanese market. This is not expected to have a major impact on the industry.



Source: ABARES Data



Source: ABARES

Production, Supply and Demand Data Statistics

Cotton Australia	2012/2013		2013/2014		2014/2015	
	Market Year Begin: Aug 2012		Market Year Begin: Aug 2013		Market Year Begin: Aug 2014	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	0	0	0	0		0
Area Harvested	445	442	445	392		380
Beginning Stocks	3,807	3,807	2,393	2,532		2,527
Production	4,600	4,665	4,100	4,310		4,128
Imports	0	0	0	0		0
MY Imports from U.S.	0	0	0	0		0
Total Supply	8,407	8,472	6,493	6,842		6,655
Exports	6,174	6,100	4,500	4,475		4,110
Use	40	40	40	40		40
Loss	-200	-200	-200	-200		-200
Total Dom. Cons.	-160	-160	-160	-160		-160
Ending Stocks	2,393	2,532	2,153	2,527		2,705
Total Distribution	8,407	8,472	6,493	6,842		6,655
1000 HA, 1000 480 lb. Bales, PERCENT, KG/HA						