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GAIN Report

Global Agricultural Information Network

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Australia

Cotton and Products Annual

2015

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Report Highlights:

In 2015/16, Australian cotton production is forecast to be 2.2 million bales assuming average rainfall. Water storage levels in key cotton producing regions such as the Namoi Valley are well below previous years. This increases the importance of rainfall, especially in the planting window from September to November. Dryland cotton is less than ten percent of the total crop. Low water storages and attractive returns for alternative drought-tolerant crops such as sorghum will discourage some cotton plantings, but the overall harvest area is expected to be stable.

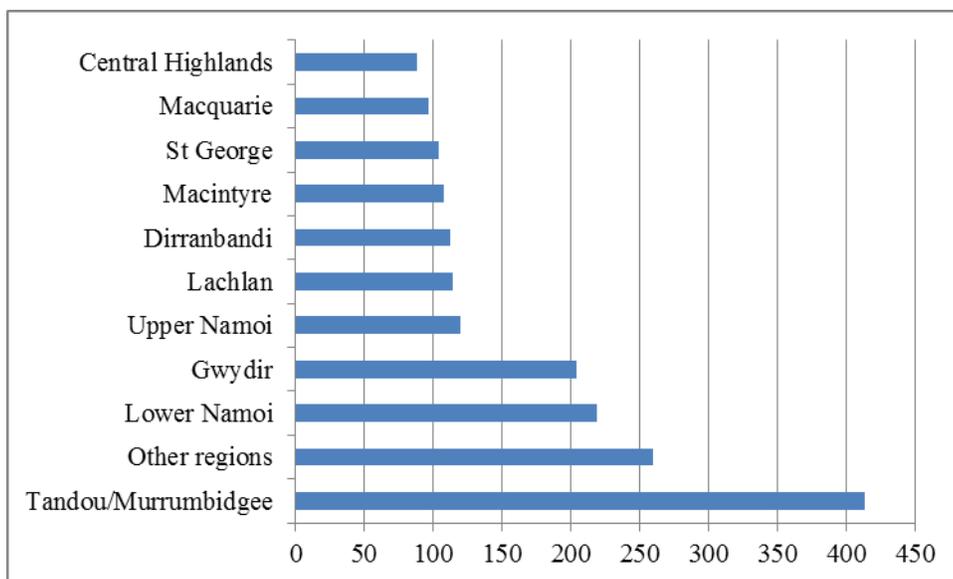
Commodities:

Cotton

Overview

Australia is one of the world's largest exporters of raw cotton with over 90 percent 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. The major production area in NSW stretches south from the Macintyre River on the Queensland border and covers the Gwydir, Namoi and Macquarie valleys. In NSW cotton is also grown along the Barwon and Darling Rivers in the west and the Lachlan and Murrumbidgee rivers in the south. In Queensland, cotton is grown mostly in the south in the Darling Downs, St George, Dirranbandi and Macintyre Valley regions. The remainder is grown near Emerald, Theodore and Biloela in Central Queensland. The relative importance of these regions is shown in chart 1 below.

Chart 1: Major cotton growing regions in Australia, 2015



Note: Number of bales based on estimates in February 2015

Source: Cotton Australia.

Cotton is planted from September in Queensland to mid-November in NSW and then harvested from March to May respectively. Australia is an efficient producer with the world's highest cotton yields due to the predominance of irrigation and the use of genetically modified varieties. Dryland cotton has declined because of low soil moisture during planting seasons and accounts for less than ten percent of the total harvest area, or around 20,000 hectares.

In early 2015, low rainfall has reduced the average storage level of public irrigation dams in cotton growing regions to less than 40 percent, compared to 43 percent in 2014 and 66 percent in 2013 (see table 2). Overall, current dam levels are 5 percentage points below the 10-year average to 2010. Low soil moisture levels in cotton growing regions could encourage some cotton growers to switch to more drought tolerant crops such as sorghum, given demand for livestock feed is strong and a record number of cattle are in feedlots. In 2015, for example, the Macquarie cotton region has only 7,000-8,000 hectares planted compared to its capacity of around 50,000 hectares. In the Riverina, Lachlan and Murrumbidgee regions, a higher proportion of cotton is being grown relative to capacity due to better water availability.

Table 1: Water storages for the Australian cotton industry, 2013-2015 (Megaliters)

Dam	Region	Full Capacity (ML)	Actual Capacity (%)		
			2013 February	2014 February	2015 February
	<i>Queensland</i>				
Fairbairn	Emerald	1,301	68	45	40
Beardmore	Emerald	82	82	60	84
Leslie	Darling Downs	106	74	36	27
	<i>NSW</i>				
Glenlyon	Border Rivers	250	94	37	28
Pindari	Border Rivers	312	63	17	14
Copeton	Gwydir Valley	1,362	73	32	18
Split Rock	Namoi Valley	397	87	21	7
Keepit	Namoi Valley	425	40	16	6
Burrendong	Macquarie Valley	1,188	46	27	16
Windamere	Macquarie Valley	368	56	49	44
Wyangala	Lachlan Valley	1,220	71	57	37
Burrinjuck	Murrumbidgee- Burrinjuck	1,026	67	85	32
Total		8,037	66%	43%	<40%

Note: The assessment of water in storage does not include water in private storage.

Source: Murray Darling Basin Authority and Post estimates.

Table 2: Water usage on Australian cotton farms, 2012-13

	Australia	NSW	Queensland
Area of cotton crop ('000 hectares)	438	268	170
Number of businesses	760	426	334
Water watered ('000 hectares)	365	228	137
Number of businesses	659	394	265
Water volume applied (ML)	2,851	1,799	1,052
Number of businesses	662	394	269
Application rate (ML/hectare)	7.8	7.9	7.7

Source: Australian Bureau of Statistics (2015).

Cotton Production

Australian cotton production is forecast to be 2.2 million bales in 2015–16, slightly above 2014–15 but well below 2013/14. The harvest area for cotton in 2015/16 is expected to be stable at 210,000 hectares. Assuming average rainfall, yields should be maintained at 2.2 tonnes or ten bales per hectare for irrigated regions and 3-4 bales per hectare for dryland cotton production.

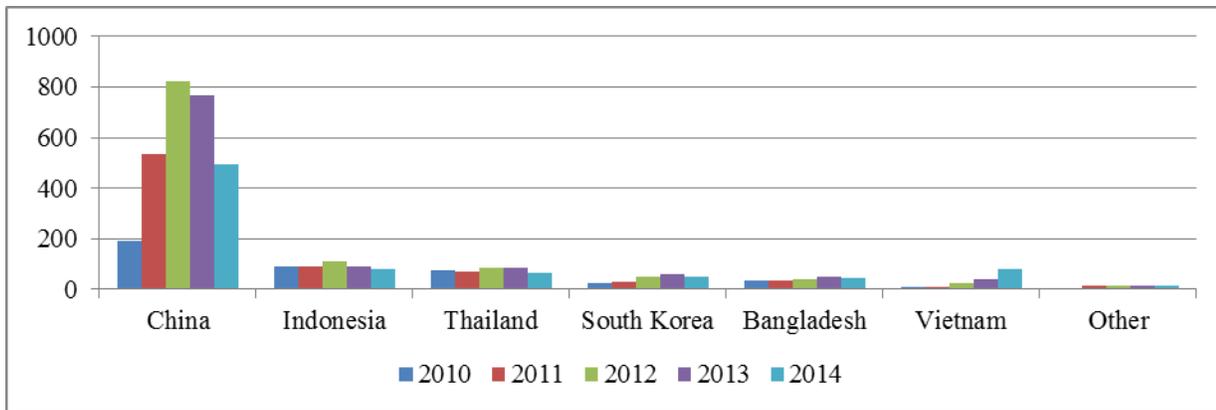
One third of cotton production occurs in Queensland and two thirds in NSW and both crops were affected by hot and dry conditions during the 2014 planting season. Average rainfall is needed in the 2015/16 planting window from September 2015. Bureau of Meteorology forecasts suggest this outcome is still uncertain and an indication of the variability of seasonal conditions is that 800 hectares of cotton production were recently lost because of hail damage.

Incentives for Australian cotton growers are changing. The falling world price for cotton has been partly offset by the depreciation of the Australian dollar, but higher prices for alternative crops such as sorghum could be expected to constrain cotton plantings well below the records of previous years. The large stockpile held in China is another variable affecting future prices.

Trade

Cotton exports from Australia are forecast to be 2.1 million bales in 2015–16, down one third compared with 3.4 million bales in 2014/15. The Australian cotton harvest occurs from March to June and is mostly exported during the following marketing year. Australia ranks as the world's third largest cotton exporter, behind the United States and India. It exports around 95 percent of its raw cotton, with China the leading market. However, China is reducing its import purchasing program because of its high levels of stocks and a degree of uncertainty exists over future world cotton prices and China's future import requirements.

Chart 2: Australian cotton exports by country, 2010-2014 ('000 metric tonnes)



Source: Global Trade Atlas.

In April 2014, Australia and Japan signed an Economic Partnership Agreement (AJEPA) which will bind tariffs at zero in the Japanese market. Under the China-Australia free trade agreement (CHAFTA) there are no changes to tariffs or market access for Australian cotton exports to the Chinese market.

Cotton Technology and Research

Genetically modified (GM) cotton has been grown in Australia for twenty years and now accounts for over 99 percent of production. The use of GM varieties of cotton to increase insect resistance or to increase herbicide tolerance has reduced pesticide use on the Australian cotton crop by around 85 percent when compared to previously grown conventional varieties. Under this program, Australia has effectively developed new strains of cotton to suit local conditions. Over 2014, there were a series of trial GM cotton plantings in NSW still under review.

The cotton R&D program is funded by cotton growers who pay a compulsory levy 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 and also includes Cotton Australia and the Cotton Research and Development Corporation.

Production Supply and Demand Data Statistics:

Cotton	2013/2014		2014/2015		2015/2016	
Market Begin Year	Aug 2013		Aug 2014		Aug 2015	
Australia	USDA Official	New post	USDA Official	New post	USDA Official	New post
Area Planted	0	0	0	0	0	
Area Harvested	436	392	235	210	0	210
Beginning Stocks	2,399	2,399	1,807	1,661	0	532
Production	4,100	4,065	2,200	2,159	0	2,200
Imports	0	0	0	0	0	0
MY Imports from U.S.	0	0	0	0	0	0
Total Supply	6,499	6,464	4,007	3,820	0	2,732
Exports	4,852	4,763	3,000	3,353	0	2,100
Use	40	40	35	35	0	35
Loss	0	0	0	0	0	0
Total Dom. Cons.	0	40	0	0	0	0
Ending Stocks	1,807	1,661	1,072	532	0	697
Total Distribution	6,499	6,464	4,007	3,820	0	2,732

1000 HA, 1000 480 lb. Bales, PERCENT, KG/HA

Note: 'New Post' data reflect author's assessments and are not official data. Data in the table is in '000 bales with one MT equal to 4.593 bales.