

COTTON PRODUCTION IN AUSTRALIA

Introduction

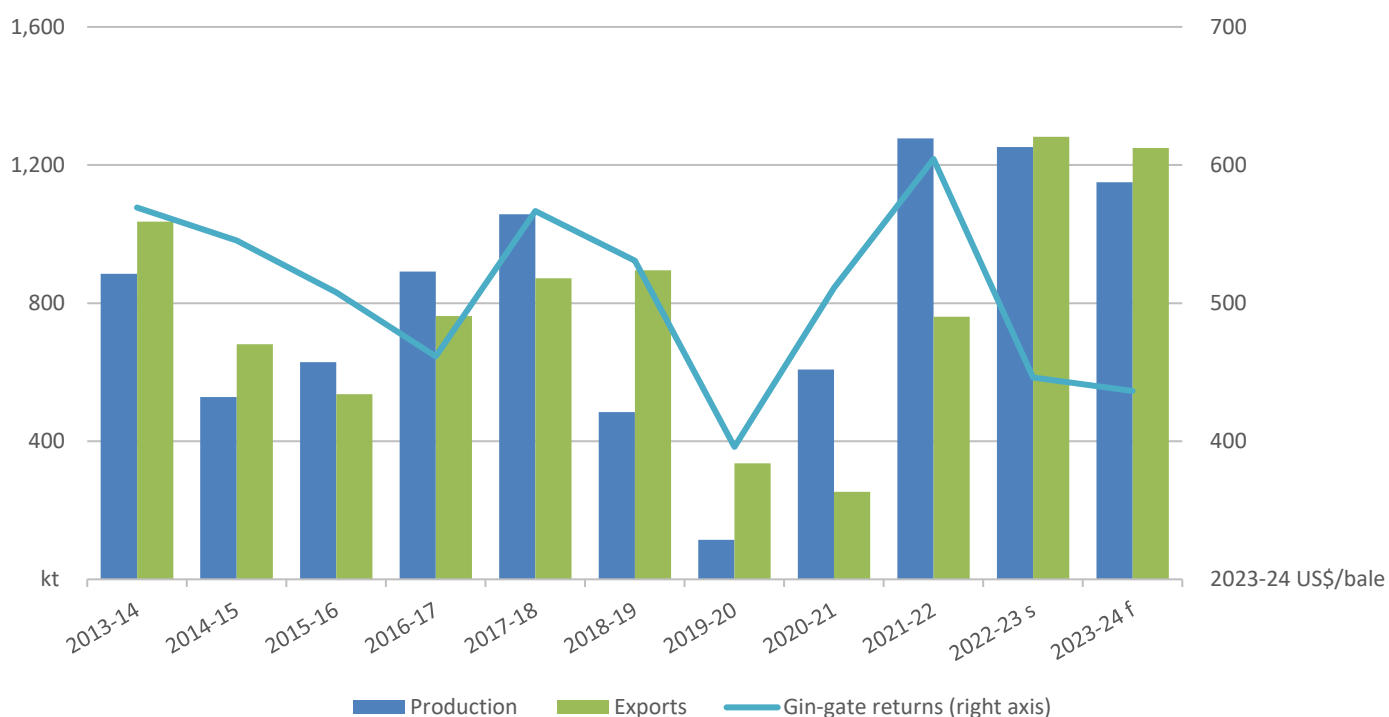
Cotton production is an important economic activity for many agricultural communities in eastern Australia. The number of farms where cotton is planted ranges seasonally, from approximately 1,200 to 1,500, based on prevailing weather conditions. Around two thirds of Australia’s cotton is grown in the state of New South Wales, and one third in the state of Queensland. Australia’s cotton industry has benefitted greatly from innovations in plant varieties and genetic modification, opening up opportunities to expand cotton production into new locations such as far north Queensland, the Northern Territory and Western Australia, with commercial scale trials proving the agronomic viability of cotton in these areas.

Although a relatively minor producer on a global scale, Australia is one of the world’s largest exporters of raw cotton, with more than 99% exported annually.

Outlook for cotton supply and demand

Australian cotton production is forecast to decrease in 2023-24, reflecting drier seasonal conditions. After two years of drought in 2018-19 and 2019-20, Australian cotton production recovered strongly in 2020-21. Favourable climatic conditions saw Australian cotton production reach a record high in 2021-22 and remain above average in 2022-23. High levels of water availability following three consecutive years of above-average rainfall are expected to support a large planting of irrigated cotton in 2023-24. However, the overall area planted to cotton is expected to fall, driven by a reduction in dryland cotton plantings under the expectation of dry conditions. High water storage levels, carryover water and irrigation allocations are expected to support irrigated cotton yields despite the expected onset of hot and dry climate conditions; this is expected to offset reductions in dryland cotton yields. The Australian Bureau of Agricultural and Resource Economics and Sciences (ABARES) forecasts Australian cotton production in 2023-24 to decrease to 5.1 million (227 kilogram) bales (Figure 1).

Figure 1 Cotton lint production, exports and gin-gate returns, Australia, 2013-14 to 2023-24



f ABARES forecast. s ABARES estimate.

(Source: ABARES, *Agricultural Commodities September Quarter 2023*) Note price per bale is 2023-24 US\$

Forecast production in 2022-23

ABARES forecasts the production of Australian cotton lint to decrease to 1.2 million tonnes in 2023-24, 8% below 2022-23 production levels. Australian cotton production is expected to remain historically high due to plentiful water availability. The decrease in production is attributed to a fall in area planted. Drier seasonal conditions are expected to incentivise growers to reduce the area planted to cotton. However, since cotton prices are fluctuating at a relatively high level, area planted is expected to still be at near record high levels. Total cotton plantings are expected to cover 560 thousand hectares in 2023-24, down from an estimated 667 thousand hectares in 2022-23. Cotton plantings and production recovered strongly in the 2020-21 season due to the onset of La Niña climate conditions, which are associated with above average rainfall for eastern and northern Australia during winter, spring and early summer. The Australian Bureau of Meteorology recently announced an El Niño event in addition to a positive Indian Ocean Dipole. The combination of these climatic drivers is expected to see below average rainfall across major cotton production areas over the coming months. Water storage levels across growing regions have been replenished over the past three years, leading to large, irrigated cotton plantings. Meanwhile, the forecast dry conditions will discourage dryland cotton plantings.

Forecast exports in 2023-24

In 2023–24, ABARES forecasts Australian cotton exports to reach approximately 1.3 million tonnes, the second highest on record. The substantial 2022-23 crop is expected to contribute to the large export volumes. Australian cotton exports are expected to remain strong given the premium quality of Australian cotton and proximity to key export markets. Australian cotton export value is forecast to decline to A\$4.4 billion (US\$3 billion¹) in 2023-24, driven by a fall in production volumes outweighing higher prices.

Forecast return to growers in 2023-24

In 2023–24, ABARES forecasts the return to Australian cotton growers to remain similar to 2022-23, averaging A\$637 (US\$436) per bale (227 kilograms).

Cotton exports

Australian cotton exports to emerging markets in South-East Asia and India have grown strongly in recent years, especially to Vietnam. In 2022–23, Vietnam and Indonesia were the largest export destinations for Australian cotton, accounting for 40% and 11% of Australian exports, respectively.

Global cotton demand is expected to be resilient over 2023–24 driven by demand in emerging economies. Vietnam’s demand for cotton is expected to rise in 2023–24 as international demand for cotton garments increases. Lower real disposable incomes across many advanced economies and growing preference for sustainable fibres are expected to cause consumers to buy cotton garments compared to more expensive natural fibres. As a large manufacturer of cotton garments, this is expected to increase Vietnam’s demand for cotton. Australian cotton exports to Vietnam are expected to remain high in 2023-24. Cotton demand from other southeast Asian countries is expected to remain relatively robust in 2023–24. By contrast, China’s demand for cotton is expected to remain subdued in 2023–24. Reduced cotton production has led China’s Government to sell cotton from state reserves instead of significantly increasing imports. China has a tariff quota system which regulates cotton import volumes through tariff measures, this is expected to limit cotton imports in 2023–24.

¹ Based on 2023-24 currency conversion of A\$1 being equivalent to US\$0.685

Role of the Australian Government in the cotton industry

The Australian Government and cotton producers co-invest in cotton research, development, and extension (RD&E) through the Cotton Research and Development Corporation (CRDC) to deliver outcomes to benefit Australia's dynamic cotton industry and the wider community.

CRDC is funded through a research and development levy, which all growers pay. The levy equates to A\$2.25 (US\$1.54) for each 227 kilogram bale of cotton; or A\$4.06 (US\$2.78) per tonne of exported seed cotton, with the Government matching the funds dollar-for-dollar up to 0.5% of the cotton industry's gross value of production.

Cotton to Market Strategy

The world's leading brands and retailers are increasingly demanding traceable fibres produced using more responsible and sustainable methods.

Cotton Australia is the peak representative body for Australia's cotton growers. Cotton Australia is involved in several cotton programs that promote and encourage responsible and sustainable cotton production and give Australian cotton a strong position in the world fibre market. These include *myBMP* the Better Cotton Initiative (BCI), the Cotton LEADS™ program, the PLANET. PEOPLE. PADDOCK sustainability framework and Cotton Australia's supply chain marketing strategy.

myBMP is the Australian industry's voluntary farm and environmental management system and certification program that allows growers to identify and compare their practices with regulations, and industry best practice and standards. The system has 10 key modules including Human Resources and Work Health and Safety, Water Management, and Soil Health.

Cotton Australia manages the industry's relationship with Better Cotton, a global sustainability program focused on farm level improvements; *myBMP* certification standards more than exceed the requirements of Better Cotton. By opting into Better Cotton, Australian growers have access to premium markets for cotton grown on *myBMP* certified farms. BCI presents an opportunity to leverage the Australian industry's significant investment in sustainability.

PLANET. PEOPLE. PADDOCK. recognises sustainability is integral to the cotton industry's future and provides a path for the entire industry to stay in business. It sets sustainability targets, coordinates a whole-of-industry strategy to achieve these targets, and engages with growers, the wider cotton industry, cotton communities, and important community groups on actions and progress.

The Cotton LEADS™ program, a partnership between the Australian and United States of America cotton industries, promotes the supply and use of responsibly produced cotton through national and international efforts.

Through the Cotton to Market strategy, Cotton Australia is also directly partnering with brands and retailers that are making Australian cotton part of their sustainable raw materials portfolios.

Cotton Australia will continue to provide feedback and create alignment between customers and industry on issues including sustainable cotton production, transparency and traceability, supply chain disruptions and human rights in order to position the industry well for the future.