



USDA Foreign Agricultural Service

# GAIN Report

Global Agriculture Information Network

Template Version 2.09

Scheduled Report - Public distribution

**Date:** 8/29/2008

**GAIN Report Number:** AS8041

## Australia

### Cotton and Products

### Quarterly Lockup

### 2008

**Approved by:**

Grant Pettrie, Agricultural Counselor  
U.S. Embassy

**Prepared by:**

Mike Darby, Agricultural Specialist

---

**Report Highlights:**

Record low planted area for cotton has seen cotton growers turn their attention to other crops, such as winter cereal and sorghum. As a result production of cotton for 2008/09 is forecast at 1.0 million bales, or around 230 TMT (using 0.227 as a conversion factor). Exports of cotton are forecast at 0.9 million bales, down slightly from the previous year but down sharply from our earlier forecast.

---

Includes PSD Changes: No  
Includes Trade Matrix: No  
Quarterly Report  
Canberra [AS1]  
[AS]

## Summary

At time of writing this report the Australian cotton industry continues to face a number of challenges. Persistent drought conditions in the catchment areas continue to limit the availability of irrigation water while a strong Australian dollar and modest world prices constrain returns.

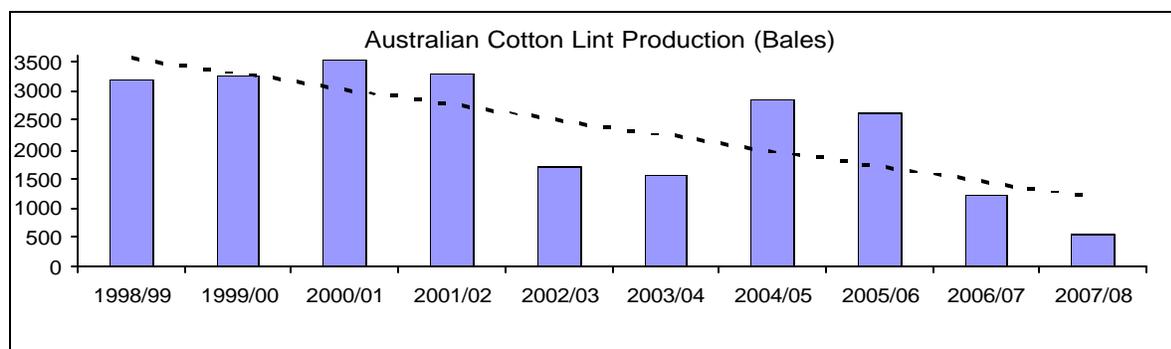
Record low planted area for cotton has seen cotton growers turn their attention to other crops, such as winter cereal and sorghum. These crops use less water and capitalize on the high grain prices bought about by the drought and strong export demand. The recent sorghum harvest reached record levels and post believes that much of this crop was grown on land usually set aside for cotton production. Record high grain prices have done much to stimulate this shift.

Going forward, production is likely to be inhibited by a lack of available irrigation water. Heavy rainfall will be required in the catchment prior to planting in October and November for production to surpass forecast levels.

Post has assumed average weather conditions in the lead-up to, and through, the 2008/09 season.

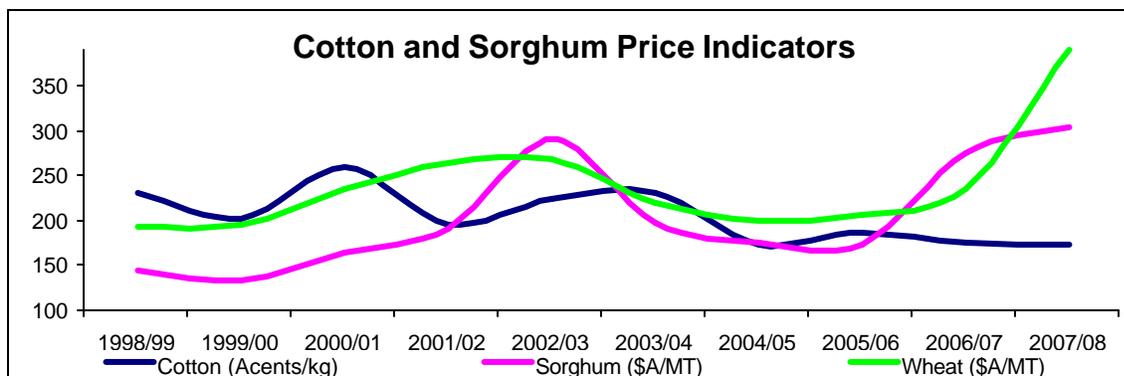
## Production

Production of cotton for 2008/09 is forecast at 1.0 million bales, or around 230 TMT (using 0.227 as a conversion factor). A crop of this size represents a significant increase on the 0.62 million bales estimated for the previous year but remains well below the ten year average of 2.38 million bales.



Source: ABARE Data

Low levels of irrigation water are likely to keep production at historically low levels for 2008/09. Earlier forecasts placed production up around 1.5 million bales for 2008/09, however much of the irrigation water available to plant cotton has been used to plant winter wheat. Record high grain prices has seen increased interest in using available irrigation water to grow winter wheat rather than planting cotton in the following summer.

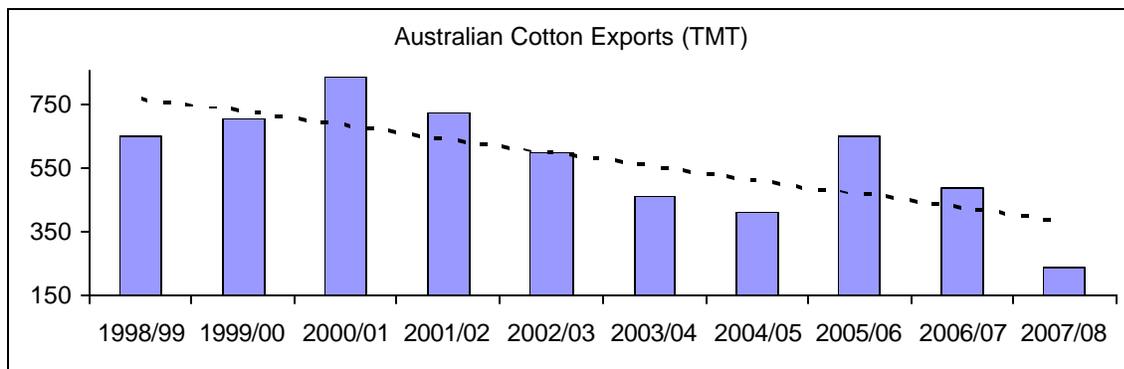


Source: ABARE data

Post has revised production for 2007/08 upwards significantly to 0.62 million bales, or around 140 TMT. Record high yields pushed the estimate for the 2007/08 crop well beyond earlier expectations. Despite this upwards revision, post advises that this crop remains the smallest crop since the drought of 1983/84. Industry sources advise that much planted area for this crop was lost to sorghum production which peaked at an all time record during the 2007/08 season.

**Exports**

Exports of cotton are forecast at 0.9 million bales, down slightly from the previous year. Despite increased production, post advises that exports are likely to fall in 2008/09 as the full affect of extremely low production in the previous season is realized.



Post expects production, exports and closing stocks to build beyond the outlook period.

## PSD Table Cotton

	2006			2007			2008			UOM
	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	
Market Year Begin		08/2006	08/2006		08/2007	08/2007		08/2008	08/2008	MM/YYYY
Area Planted	0	0		0	0		0	0		(HECTARES)
Area Harvested	145	144	144	75	63	65	175	190	140	(HECTARES)
Beginning Stocks	1938	1938	1938	1179	1179	1278	604	729	873	1000 480 lb. Bales
Production	1350	1350	1242	600	525	620	1500	1500	1000	1000 480 lb. Bales
Imports	0	0		0	0		0	0		1000 480 lb. Bales
MY Imports from U.S.	0	0		0	0		0	0		1000 480 lb. Bales
Total Supply	3288	3288	3180	1779	1704	1898	2104	2229	1873	1000 480 lb. Bales
Exports	2129	2129	1922	1200	1000	1050	1200	1300	900	1000 480 lb. Bales
Use	55	55	55	50	50	50	45	50	50	1000 480 lb. Bales
Loss	-75	-75	-75	-75	-75	-75	-75	-75	-75	1000 480 lb. Bales
Total Dom. Cons.	-20	-20	-20	-25	-25	-25	-30	-25	-25	1000 480 lb. Bales
Ending Stocks	1179	1179	1278	604	729	873	934	954	998	1000 480 lb. Bales
Total Distribution	3288	3288	3180	1779	1704	1898	2104	2229	1873	1000 480 lb. Bales
Stock to Use %	54	54	65	48	69	79	75	71	105	(PERCENT)
Yield	2,027.0	2,041.0	1,878.0	1,742.0	1,814.0	2,077.0	1,866.0	1,719.0	1,555.0	(KG/HA)

### Recent Reports from FAS/Canberra

The reports listed below can all be downloaded from the FAS website at:  
<http://www.fas.usda.gov/scriptsw/AttacheRep/default.asp>.

Report Number	Title of Report	Date
AS8040	Competitiveness of Grocery Pricing in Australia Investigated	08/20/08
AS8039	2008 Livestock Annual	08/22/08
AS8038	FAIRS Country Report	07/31/08
AS8037	The Australian Emissions Trading Scheme NFF Policy	07/22/08
AS8036	Draft Organic Standard Released for Comment	07/22/08
AS8035	Biotechnology Annual	07/15/08
AS8033	Grain and Feed Quarterly Update	07/08/08
AS8032	Wheat Reform Legislation Passes in Parliament	06/25/08
AS8031	Country Strategy Statement	06/20/08
AS8030	Grain and Feed Situation Update	06/13/08
AS8029	Response to the "Safeguards Inquiry Into The Imports of Pigmeat"	06/06/08
AS8028	New Wheat Marketing Legislation Progresses Through Parliament	06/05/08
AS8027	Biofuels Annual	06/04/08
AS8026	Aust Govt Expresses Disappointment Over Farm Bill	05/27/08