

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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Australia

Cotton and Products Annual

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Report Highlights:

Australian cotton production is forecast at 2.2 million bales for 2019/20. Yields are expected to fall due to continued drought and poor seasonal conditions. In 2018/19, high water prices and restrictions on water supplies reduced irrigated cotton production, while dryland cotton plantings suffered from poor rainfall and low soil moisture levels. These conditions are expected to continue in 2019/20. Exports are forecast at 2.4 million bales in 2019/20, reflecting the fall in production and lower stocks.

Commodities: Cotton

EXECUTIVE SUMMARY

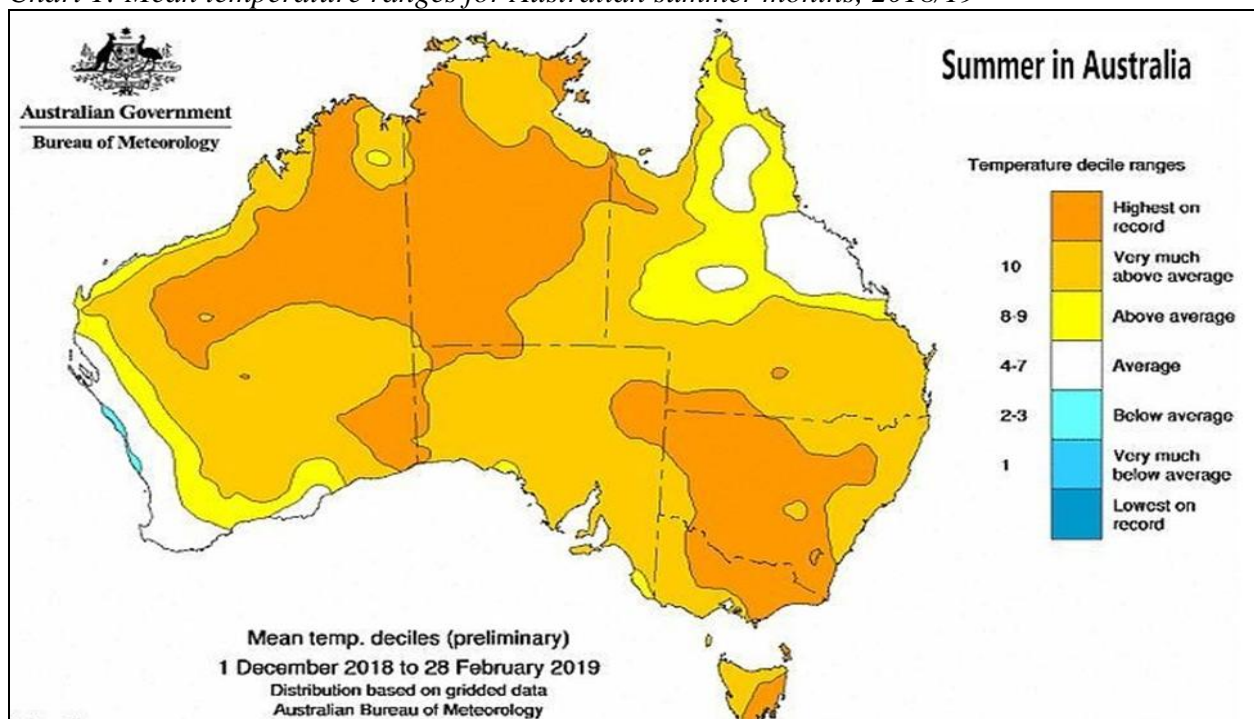
Persistent poor weather conditions and drought in many growing areas has adversely affected Australian cotton production. In 2019/20, production is forecast at 2.2 million bales, 4 percent below last year. Production in 2018/19 was revised down by 8 percent due to hot and dry conditions as well as higher water prices.

In 2018/19, high water prices and water access restrictions reduced irrigated cotton production while dryland cotton (non-irrigated) plantings suffered from poor rainfall and low soil moisture levels. These conditions are expected to continue in 2019/20. Exports are forecast at 2.4 million bales in 2019/20, reflecting the lower production. Exports have been partly supplied by a carryover of stocks from previous seasons.

SEASONAL CONDITIONS

Australian cotton production has been significantly affected by lower water levels in irrigation dams and very low levels of soil moisture due to hot and dry seasonal conditions in eastern Australia. Rainfall across most cotton growing regions has been well below average for most of 2018 and in early 2019. Notably, the summer period (December to February) over most cotton growing areas was the hottest ever recorded in Australia and plantings of dryland cotton were unable to thrive in these conditions. Chart 1 below shows average temperature for the months during the summer period.

Chart 1: Mean temperature ranges for Australian summer months, 2018/19

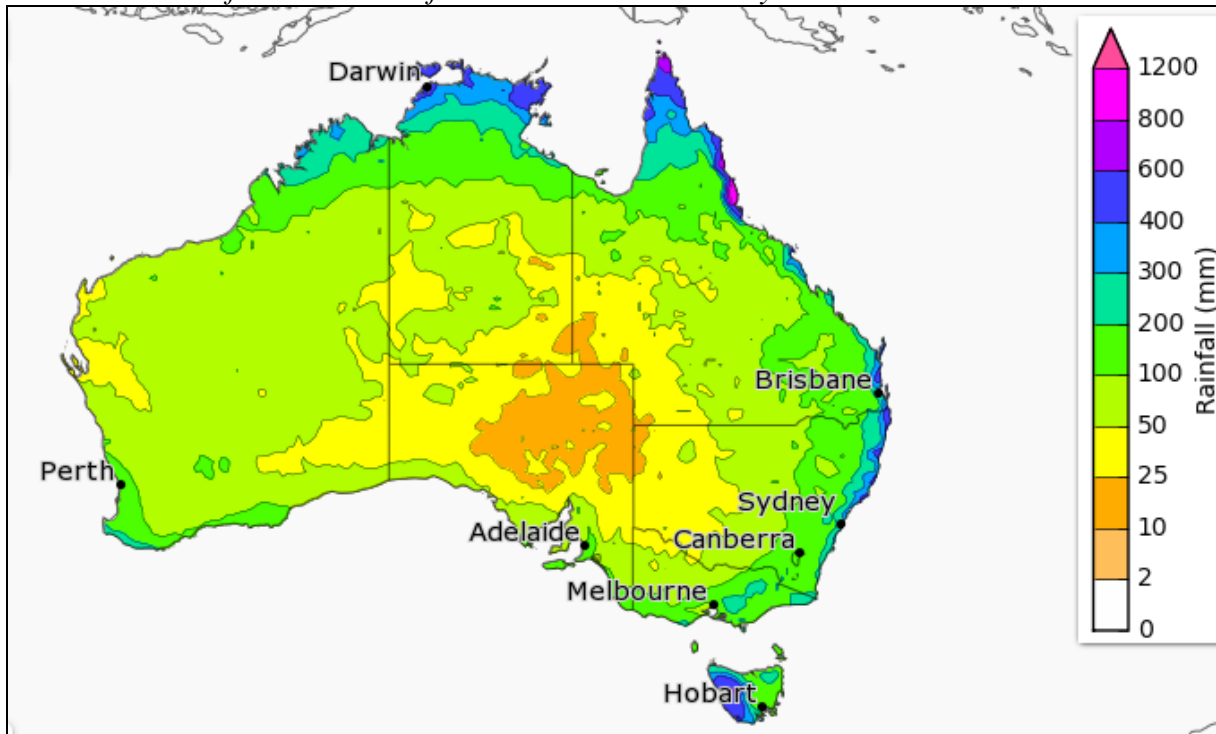


: Australian Bureau of Meteorology.

The outlook for cotton production is not expected to improve in 2019/20. The Australian Bureau of Meteorology (BOM)'s weather forecast for 2019 depicts a hotter and drier scenario compared to last

year. However, timely and well situated rainfall over 2019/20 could be sufficient to support the cotton crop. A return to normal weather and rainfall in 2019/20 could lead to expanded dryland cotton plantings, although continuing high water prices may restrict irrigated cotton plantings. Chart 2 below shows the outlook for median rainfall in the three months to May 2019.

Chart 2: Chance for median rainfall in the 3 months to May 2019



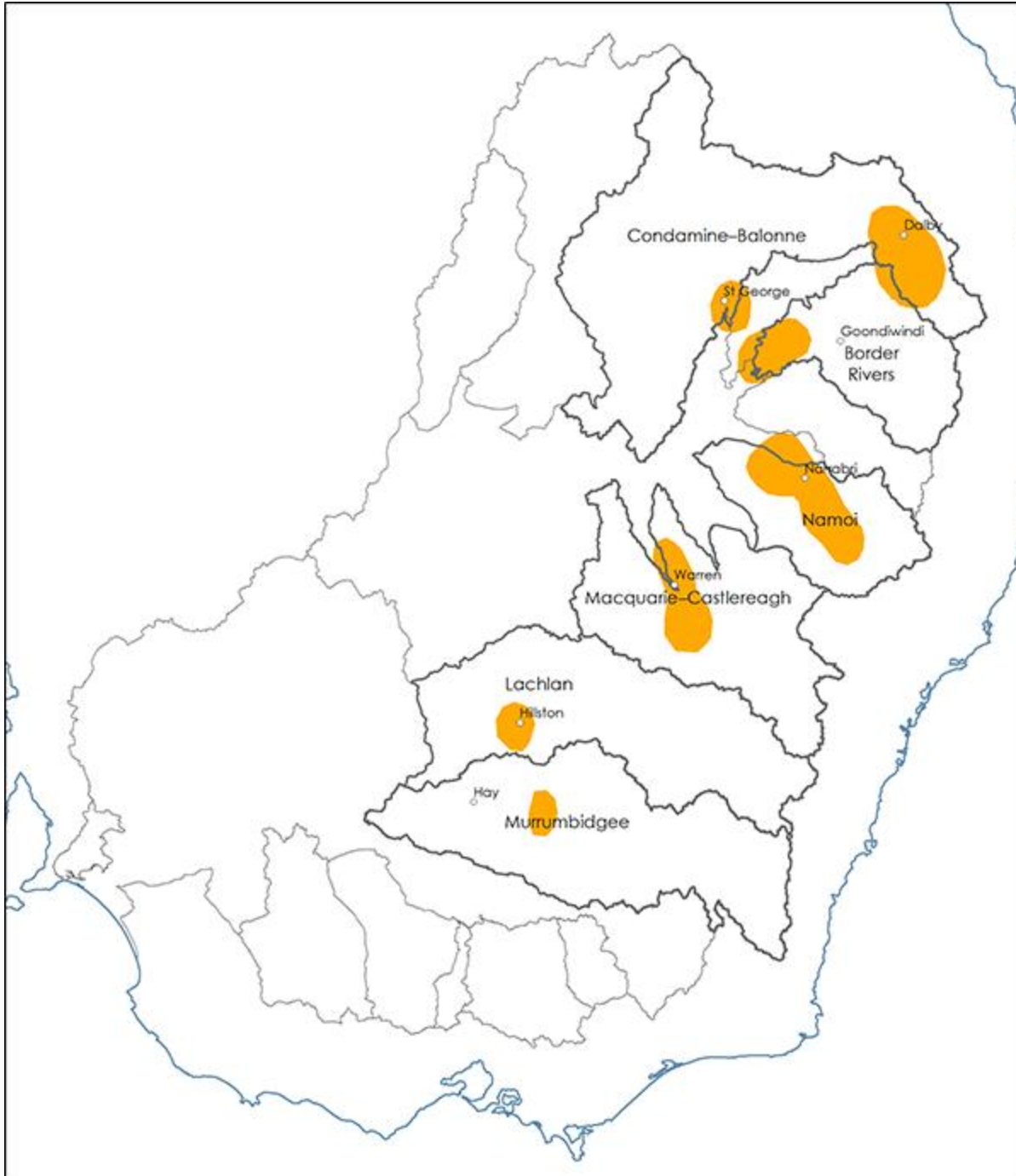
Source: Australian Bureau of Meteorology.

PRODUCTION

Australian cotton production is forecast at 2.2 million bales in 2019/20, 4 percent below the revised estimate for 2018/19. The major reason for production variability is the continuing drought in the major cotton producing areas of New South Wales (NSW) and southern Queensland. The extremely hot and dry Australian summer period and low rainfall resulted in lower water levels in irrigated cotton growing areas and very low levels of soil moisture for plants in dryland cotton areas.

Normally, irrigated cotton accounts for at least 80 percent of total production while dryland (or rain-fed) cotton depends on timely and sufficient rainfall. Yields on irrigated cotton can average over 10 bales per hectare in irrigated areas compared to 1-2 bales per hectare for dryland cotton. The poor conditions are expected to continue to reduce yields in 2019/20.

Chart 3: Major Cotton Growing Areas in Australia, NSW and Queensland



Source: Australian Department of Agriculture

Australia is one of the world's largest suppliers of raw cotton with 99 percent of the domestic crop exported, mainly to China, Indonesia, and Thailand. Cotton is predominantly irrigated and grown in NSW and southern Queensland (see Chart 3). 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. New plantings are also found in Forbes in southern NSW.

In Queensland, cotton is grown mostly in Darling Downs, St. George, Dirranbandi, and the Macintyre Valley regions. Recently, cotton planting has extended into northern Victoria, the Gulf region of north Queensland, and the Ord River region of the Northern Territory. Cotton is usually planted from September in Queensland, mid-November in NSW, and harvested from March to June respectively. However, the widespread use of the Bollgard 3 biotech cotton variety has enabled farmers to extend the planting window to the end of December in some regions. Australia's marketing year for 2018/19 begins in August 2019.

Water Prices and Availability

Dry conditions in eastern Australia over 2018/19 have reduced water levels in reservoirs that supply water to cotton producers and contributed to higher prices. Water levels for some major dams across NSW and Queensland have fallen to record lows such as the Keepit Dam in the Namoi Valley, which is now at only one percent of capacity.

Table 1: Water levels for the Australian cotton industry, 2013-2019 (gigaliters)

Dam	Region	Full Capacity	Actual level (%)						
			2013	2014	2015	2016	2017	2018	2019
Beardmore	Emerald	82	82	60	84	82	15	100	81
Leslie	Darling Downs	106	74	36	27	18	15	12	7
Glenlyon	Border Rivers	250	94	37	28	28	60	57	14
Pindari	Border Rivers	312	63	17	14	36	81	60	6
Copeton	Gwydir Valley	1,362	73	32	18	17	45	29	12
Split Rock	Namoi Valley	397	87	21	7	22	30	16	3
Keepit	Namoi Valley	425	40	16	6	12	55	14	1
Burrendong	Macquarie Valley	1,188	46	27	16	63	88	39	7
Windamere	Macquarie Valley	368	56	49	44	40	50	43	34
Wyangala	Lachlan Valley	1,220	71	57	37	42	88	70	34
Burrinjuck	Murrumbidgee	1,026	67	85	32	38	73	42	31
Total		8,037	66	43	39	30	55	n.a.	n.a.

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

Source: Murray Darling Basin Authority and Post estimates for March of each year.

Water allocations are unavailable to cotton growers and other irrigated agriculture if water levels fall below a certain threshold. In southern Queensland, some farmers are reportedly preparing to plough dryland cotton crops that have failed to thrive. Table 1 shows current water levels for dams that are important for the Australian cotton industry.

TRADE

Exports are forecast at 2.4 million bales in 2019/20, down 33 percent on the previous year. During production downturns, Australian cotton exports are supplemented from a drawdown of stocks. Australia exports over 95 percent of its raw cotton as there is no domestic textile industry. The leading markets for Australian exports of cotton include China, Bangladesh, Vietnam, and India (see Table 2).

Table 2: Australian exports of cotton by major country, 2012-2018 ('000 MT, unit value, US\$/MT)

Country	2012	2013	2014	2015	2016	2017	2018
<i>World</i>							
('000 MT)	1,211	1,166	894	446	711	873	897
(US\$/MT)	(2,231)	(2,117)	(2,073)	(1,796)	(1,708)	(1,873)	(1,991)
<i>China</i>							
('000 MT)	822	767	494	265	206	136	101
(US\$/MT)	(2,232)	(2,142)	(2,092)	(1,809)	(1,681)	(1,825)	(2,108)
<i>India</i>							
('000 MT)	15	10	26	14	152	71	28
(US\$/MT)	(2,052)	(2,095)	(2,033)	(1,860)	(1,696)	(1,892)	(1,995)
<i>Vietnam</i>							
('000 MT)	23	38	78	48	98	152	174
(US\$/MT)	(611)	(611)	(522)	(413)	(417)	(375)	(1,936)
<i>Bangladesh</i>							
('000 MT)	40	52	46	11	85	156	80
(US\$/MT)	(2,161)	(2,157)	(2,088)	(1,821)	(1,744)	(1,900)	(2,029)
<i>Indonesia</i>							
('000 MT)	110	87	78	42	75	40	7
(US\$/MT)	(2,272)	(2,109)	(2,084)	(1,699)	(1,733)	(1,906)	(2,112)
<i>Unidentified</i>							
('000 MT)	0	0	0	0	0	162	420
(US\$/MT)						(1,877)	(1,992)

Note: Calendar years. *Source:* Global Trade Atlas

In 2018, Australia ranked as the fourth largest exporter of cotton in the world, behind the United States, India, and Brazil. Australia also exports cottonseed, a by-product of cotton gin processing, for animal feed to Japan (crushed and cattle feed), Korea (crushed cattle feed), and China (crushed cattle feed).

PRODUCTION, SUPPLY AND DEMAND ESTIMATES

Table 3: Production, Supply and Demand Estimates: Cotton, 2017/18 to 2019/20

Cotton	2017/2018		2018/2019		2019/2020	
	August 2018		August 2019		August 2020	
Market Begin Year	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Australia						
Area Planted	0	0	0	0	0	0
Area Harvested	530	530	300	292	0	300
Beginning Stocks	2,189	2,189	3,039	3,039	0	2,004
Production	4,800	4,800	2,500	2,300	0	2,200
Imports	0	0	0	0	0	0
MY Imports from U.S.	0	0	0	0	0	0
Total Supply	6,989	6,989	5,539	5,339	0	4,204
Exports	3,915	3,915	3,600	3,300	0	2,400
Use	35	35	35	35	0	35
Loss	0	0	0	0	0	0
Total Domestic Consumption	35	0	35	0	0	35
Ending Stocks	3,039	3,039	1,904	2,004	0	1,769
Total Distribution	6,989	6,989	5,539	5,339	0	4,204
Stock to Use %	76.94	76.94	52.38	60.09	0	72.65
Yield	1,972	1,972	1,814	1,715	0	1,597

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

Notes: (a) 'New Post' assessments are not official data.