agrībusiness

Australian Cotton Industry





Australia's cotton growers

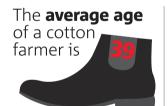
produce yields



times the global average and have produced the world's highest cotton yields for **20 years running**.

is the world's largest producer and consumer of

accounting for **30%** of global production and **40%** of mill consumption in the last **5 years**.



In an average year, **Australia's cotton growers** produce enough cotton to

500 mi

NAB's economic forecasts				
	Q2 2013	Q3 2013	Q4 2013	Q1 2014
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AUD/USD Exchange Rate (\$)	1.00	0.99	0.98	0.97
Australian GDP (%)	0.70	0.60	0.60	0.90
RBA Cash Rate	2.75	2.75	2.50	2.50

Drivers of industry conditions

- Cotton prices defied expectations by strengthening steadily between November and March despite a global oversupply. Also, prices breached the 90 US cents mark in March according to the ICE Cotton #2 Index.
- Prices are still significantly lower than the 214 US cents reached in March 2011.
- Bulk purchases by the Chinese Government to restock its strategic reserve have stoked the recent bout of price rally, which was expected to stop once desired buffer stock is reached.
- More recently, prices have softened due to weakened demand, to be around 85 US cents.
- The latest global production estimate by the International Cotton Advisory Committee (ICAC) in May suggested a 5% decline in 2012-13 to be around 26.3 million tonnes. A further fall of 6% is expected in 2013-14, bringing production to 24.6 million tonnes.
- Cotton prices are lower while prices of competing crops are higher than the previous year, resulting in substantial switching in plantings.
- Based on the latest ABARES forecasts, Australian cotton lint production is expected to fall by 21% in 2012-13 to 945,000 tonnes, with irrigated cotton faring better than other species, and dryland cotton performing poorly.
- In 2012-13, Australian irrigated plantings will dominate about 95% of the planting area at 442 000 hectares (down 7% from last season), leaving dryland cotton with just 23 000 hectares (down 85%).
- According to the ICAC, lower cotton prices and more positive global economic conditions in 2012-13 have led to an estimated 7% increase in world mill consumption of cotton to 23.7 million tonnes, the first growth in three years. Another 2% growth to 24.3 million tonnes is forecast for 2013-14.
- Mill use in China is expected to fall in 2012-13 and 2013-14 to the lowest in a decade, partly
 attributable to the uncertainty surrounding China's national cotton policy. Decreased mill
 use in China will be partially offset by increases in India, Bangladesh, Turkey and Pakistan.
- World cotton exports are expected to fall by 4% in 2012-13 and 6% in 2013-14, driven by both lower import demand and export supplies.
- More than 50% of the forecast decline in world exports is expected to take place in India, Brazil and Pakistan. This is partly offset by an expected rise in exports from Australia and Uzbekistan.
- If forecast exports volume of 1.1 million tonnes is realised, Australia will be the second largest raw cotton exporter in 2012-13, trailing only the United States.

Trade

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