AUSTRALIAN COTTON PRODUCTION

Dennis Hughes,
Auscott Marketing Pty.Ltd.

Although cotton has been grown in Australia for over one hundred years, mainly in Queensland prior to the early 1960's, it was not until 1963/1964 following the completion of the Keepit Dam and the introduction of the Raw Cotton Bounty Act (1964) that production started in New South Wales. It is worth remembering that the Bounty Act was brought in by the Federal Government to encourage cotton production for use by the local textile industry, in order to save much needed foreign exchange. The Bounty Act was one of the most successful schemes ever introduced by the Federal Government and by the late sixties some small quantities were produced surplus to domestic needs leading to the first exports of Australian cotton on the overseas market. The Bounty Scheme was subsequently phased out in 1971.

Cotton production throughout the 1970's fluctuated according to climatic influences or as in 1972-1973, by insect plague. Export surpluses varied accordingly and as our major buyers on the domestic market required the better qualities, Australian export cotton was generally low-grade and of low micronaire and as such did not command a high price compared with other competing growths, such as Amerian, Mexican, Central American, to name a few. The 1980's have seen a dramatic change to this situation. The long hard work of the people, both government and industry, engaged in research has paid off in terms of yield and quality.

The last four years have seen a large increase in production as the following table shows, more than doubling production since 1983.

AUSTRALIAN COTTON PRODUCTION 1983 - 1986

	1983 -	1984 -	1985 -	1986 (Est.)
N.S.W.	333,393	478,092	896,941	955,000
Queensland	114,775	151,453	208,594	185,000
	448,168	629,545	1,105,535	1,140,000

As illustrated, New South Wales has almost tripled its production in that period. When production topped the million bale mark in 1985, some concern was expressed at Australia's ability to market such a large quantity, however the crop was of excellent quality and no problems of disposal were encountered.

The introduction of the new seed varieties, DPL-90 and SIOKRA, with their better fibre strength have enabled marketers to consolidate the traditional markets of S. East Asia and to develop new markets in that area and also in Europe. This is important to our industry in the long term.

Having succeeded in developing these world markets for our product it is frustrating to be faced with the current world over-production and resultant low prices, especially as we have a quality fibre that competes with any growth in the world, in the medium staple range.

The following table illustrates the source of our current over-production throughout world cotton growing areas which has led to such low cotton prices.

WORLD COTTON PRODUCTION

Millions of Bales

	1983	1984	1985	1986 Est.
U.S.A.	7.77	12.98	13.53	11.00
OTHER NON-SOCIALIST	26.10	34.43	33.23	31.51
CHINA	21.30	28.70	19.06	19.50
U.S.S.R.	12.28	11.72	11.96	12.20
OTHER SOCIALIST	.08	.08	.08	.08
WORLD TOTAL	67.53	87.91	77.86	74.29

As the table shows, cotton production, world wide has increased greatly during the past three seasons, prices have re-acted correspondingly. The 1984 crop in the PEOPLES REPUBLIC OF CHINA which produced over 28 million bales, a 35% increase on the previous year started the current decline in cotton prices placing an additional twelve million bales on world stocks - in the 1984-1985 marketing year, from that country alone. The reason for this dramatic increase was simply a matter of the Central Government providing incentives to cotton growers who responded to this capitalist like persuasion very quickly in increased production. The resulting large surplus has become somewhat of an embarrassment of riches to the government who have had some problems of disposal. The incentives have been taken away and production in 1985 and 1986 is being restrained to around 19 million bales. Chinese quality is very mixed and it is believed that much of the 1984 crop surplus was unspinnable, however their top qualities can be very good.

PAKISTAN production in 1985 increased by one million bales over 1984 - from 4.6m to 5.6m. In general this is a shorter staple crop and competes primarily with Orleans/Texas cotton although the quality this year has been particularly good and competes with our cotton in some markets. Production is expected to decline to 5.2m next year.

INDIA has also produced bigger crops in later years increasing from just under 6m bales in 1984 to over 8m bales this year. In the past Indian quality has not competed directly with Australian but varieties have now been developed which are competing with us in the medium staple cottons.

The CENTRAL AMERICAN cotton growing countries, such as Mexico, Guatemala, Nicaragua, which have given Australian cotton strong competition over the last decade have become less competitive, due to low production and a general lowering of quality. Our main customers, especially in Japan, preferring Australian. The combination of low yields, quality and lower prices is making cotton farmers in these countries turn to other crops.

WEST AFRICAN production has increased from 774,000 bales in 1983 to 1.1 million bales this year. The quality of this crop is considered to be very good by many spinners, especially in Taiwan and Europe and to a lesser degree in Japan, and is very competitive with our new varieties. Fibre is very uniform and strong but can be problems with honeydew or contamination from some areas.

The USSR crop has remained static at around 12m bales over the past few years and is not expected to show any great increase in the near future. Total production this year is estimated at 12.2m bales, up slightly from last year. Russian high grade cotton compares favourably with our top grades and staple, however their recent export surplus is confined to East Europe.

The U.S.A. crop has the largest decline this year from 13.5m to an estimated 11m bales, as a result of the new U.S. farm program's acreage reduction provision - however, the release of government owned or controlled stocks from the 1985 crop and previous years is having the major effect on current low cotton prices.

As Cal/Arizona cotton is now our major competition, quality wise, with DP-90 and SIOKRA the value of this cotton sets the price for our cotton. Recent price quotations for Cal/Arizonia have been as low as 34.00¢US per lb. CIF Japan.

On a brighter note, cotton consumption has been rising at an annual rate of 2% in the free world and 1% per annum in the East European countries, consumption in 1985/86 has increased by over 4% per annum. Increased preference for natural fibres and low cotton prices versus synthetic fibres is contributing towards the increase. Polyester fibre is currently priced in a range of 47.00¢US per pound in Taiwan to as high as 84.00¢US per pound in Germany.

The bottom line to all of this, of course, is that world carry-over stocks at August 1st this year will be fifty million bales, approximately eight months supply. Normal stocks have been in the

25 to 30 million bale range, or less than six months supply.

However, it should be observed that much of this over-supply is not of good spinning quality. It is estimated that possibly 10 million bales of Chinese cotton is low grade and wasty.

Modern textile technology requires a high quality, strong fibre. The maintenance of a good quality staple fibre is essential and should eventually be rewarded in meeting the demands of the world market.