

## 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. Cotton production is particularly expanding in the Northern Territory, where the majority of production is via rain-fed (dryland) systems. 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% of production exported annually.

### Forecast production in 2024–25

The Australian Bureau of Agricultural and Resource Economics and Sciences (ABARES) forecasts Australian cotton production and exports to decrease in 2024–25 (Figure 1), reflecting lower prices and drier but still strong seasonal conditions. Australian cotton production yields are expected to be similar to 2023–24, supported by favourable seasonal conditions and high-water availability. The climate outlook for spring 2024 indicates that there is an increased chance of average to above-average rainfall across much of eastern Australia. This is expected to support soil moisture levels and allow for the timely planting for key dryland growing regions across northern New South Wales and Queensland. High water allocations and low water prices are likely to continue into 2024–25. Despite falling from last year, major water storages are still sitting well above long-term averages, supporting irrigated cotton production.

**Figure 1** Cotton lint production and exports, Australia, 2013–14 to 2024–25

Note: Data to the right of dotted line indicate estimates and forecasts.

Source: ABARES; ABS; Cotton Australia



## Australian Government 2024 Report to the International Cotton Advisory Committee

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ABARES forecasts the production of Australian cotton lint to decrease to 1.0 million tonnes in 2024–25, 7% below 2023–24 production levels - though still close to historical high levels. Total cotton plantings are expected to cover 453 thousand hectares in 2024–25, down from an estimated 477 thousand hectares in 2022–24.

Due to these factors, the gross value of cotton production is forecast to fall by 13% to \$2.7 billion (US\$1.8 billion<sup>1</sup>) in 2024–25. ABARES forecasts the return to Australian cotton growers to fall from 2023–24 average levels of \$651 per bale, to an average of A\$611 (US\$415) per bale (227 kilograms).

### Forecast exports in 2024-25

In 2024–25, ABARES forecasts Australian cotton exports to fall by 14% to approximately 1.1 million tonnes and export value is forecast to decline to A\$3.3 billion (US\$2.24 billion) in 2024–25 from \$4.1 billion in 2023–24. This reflects lower production, decreasing prices, falling exportable stocks and lower demand from China. Export volumes are expected to fall by more than production as exportable stocks continue to be drawn down since the record production year of 2021–22. Australian cotton export volumes to China surged in 2023–24 as China looked to replenish state cotton reserves. In 2024–25, with reserves replenished, China's cotton imports are expected to fall, reducing demand for Australian cotton. Despite falling, export volumes are forecast to remain 43% above the 10-year average to 2023–24.

World cotton demand is likely to increase slightly in 2024–25 but by less than global supply, leading to lower cotton prices. Increased demand from Vietnam and other major importers is expected to more than offset weak demand in China.

- Vietnam's demand for raw cotton is expected to rise, driven by increased demand from the manufacturing sector.
- EU demand for cotton products is forecast to rise. An improved economic outlook for the European Union, driven by falling interest rates and rising household consumption, is expected to support a recovery in retail demand for cotton products in 2024–25.
- China's demand for raw cotton imports is forecast to fall in 2024–25, reflecting slowing economic growth and low consumer confidence. China is the world's largest importer and consumer of raw cotton.
- US demand for finished cotton products is expected to remain subdued, reflecting a forecast slowdown in the US economy.

An expected fall in crude oil prices in 2024–25 is also likely to increase the competitiveness of polyester and other synthetic fibres, placing further downward pressure on demand for natural fibres.

### Expanding destinations key to export growth

India is the third largest producer of textiles and apparel in the world, presenting a significant opportunity for Australian cotton. A rising middle class with higher disposable incomes and a growing textile industry mean that India's demand for cotton is expected to grow in the coming years. While India does have a domestic cotton industry, India's demand for premium varieties such as extra-long staple (ELS) cotton is met through imports. ELS cotton is only produced in a handful of countries including Australia, meaning Australian exporters are well positioned to support an expanding Indian textile industry.

The Australia-India Economic Cooperation and Trade Agreement (ECTA) has created new export opportunities for Australian crops in India. Entered into force on 29 December 2022, ECTA provided immediate access to a duty-free cotton Australian quota of 51 thousand tonnes per calendar year. Ongoing negotiations for a broader Comprehensive Economic Cooperation Agreement (CECA) may provide further opportunities for the Australian cotton industry.

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<sup>1</sup> Based on currency conversion of A\$1 being equivalent to US\$0.68

## **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\$2.21 (US\$1.50) for each 227 kilogram bale of cotton; or A\$3.99 (US\$2.71) per tonne of exported seed cotton, with the Australian 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.