



What's in this issue

- From the Chairman #1
- Brand-owner Collaboration #2
- ACSA EMD Report #3
- Premium Cotton Initiative #4
- Australian Cotton Conference #5

From The Chairman



Australian Cotton Shippers Association

**By Arthur Spellson
ACSA Chairman**

OUTSTANDING quality and yields have marked another successful season for the Australian cotton industry, and improved seasonal prospects and prices bode well for a return for a crop in excess of 2 million bales for the 2010/11 season.

Strong market conditions, combined with a late May drop in the Australian dollar allowed most farmers to sell the balance of their 2010 crops very favourably. Many have also commenced forward marketing a portion of their 2011 and 2012 crops at prices in excess of A\$500 per bale. These market conditions are extremely positive for the Australian cotton industry going forward.

2009/10 Crop Update

After a slow start, the 2009/10 crop is now almost fully harvested, with estimated production of about 1.6 million bales.

Quality has again been excellent, with indications that fibre parameters will be at least as good as last year, when 80% of the crop produced staple length of 1-5/32" or longer. A reasonable portion of that production will be premium 1-7/32" or better. Micronaire has also been extremely consistent with a very large portion of the crop falling in the premium 3.8-4.5NCL range.

Bale Packaging

Customers will notice a further increase in the proportion of our crop that is wrapped in cotton bagging this season. Customer surveys have clearly indicated that cotton bagging is the preferred option, and industry has commenced the process of phasing out the use of hessian/jute bags.



Brand-Owner Collaboration



PREMIUM Australian cotton will be finding its way on to domestic retail shelves as a branded product by the end of this year. Two iconic Australian brands have agreed to participate in a pilot program to take Australian Long Staple (ALS) cotton all the way through from the field to the end product.

The products will include high quality casual shirts and home textile products.

ACSA - together with Cotton Australia, CRDC and CSD have been working on the project via the Premium Cotton Initiative. The project has covered all aspects of the textile supply chain - including production, ginning, shipping, spinning and now product specification and ordering.

Both participating brand-owners are anticipating long term orders for ALS cotton, and have indicated a requirement for the cotton to also be produced under the BMP program. They have suggested the industry develop a simple "third party brand" and marketing "story" to back the product - and ACSA will play an active part in this development process.

EMD Report - March 2010

THE USE of Australian cotton in fine count yarns and increased eco-awareness of the textile industry were the key themes of a well attended series of offshore meetings held by the Australian Cotton Shippers Association (ACSA) and Austrade in early March.

A delegation of eight Australian cotton industry representatives travelled to Indonesia, Thailand and Singapore to promote Australian cotton as part of the Austrade supported Export Market Development Grant Scheme (EMD).

Indonesian & Thai Markets

Indonesia and Thailand are very important markets for Australian cotton importing approximately 33% and 18% of the Australian crop respectively placing them behind China as Australia's 2nd and 3rd largest customers. With very little domestic production, they are also regarded as reliable markets with a 100% reliance on imported cotton. Buyers are typically active in the forward market, which gives Australian merchants the ability to buy forward from growers.

Seminar Summary

The main messages delivered at the meetings included;

1. Productivity improvements, specifically with respect to yields and water use efficiency, will help underpin Australian production making us a reliable supplier going forward.
2. Continually improving quality is taking Australian cotton to a new level and seeing it replace SJV as the world's premium upland growth.
3. Australian Long Staple (ALS) varieties have been proven via the Premium Cotton Initiative to be suitable for up to 70ne count yarns and for blending with Extra Long Staple cottons. (Australian cotton has traditionally been used for 30-40ne count yarns).
4. Australia's BMP program ensures that Australian cotton is grown in an environmentally responsible and sustainable manner and every bale is traceable back to the field it was grown in.

The seminars were well attended in both Jakarta and Bangkok with in excess of 60 participants present at each including most of the high-end spinners in each market.

Mill Visits

Whilst in Bangkok we visited one of Thailand's leading spinners,



ACSA board member Phil Sloan of Cargill Cotton and Sheik Mohammed Ali in Singapore.

Thai Rung Textiles, who are participating in the Premium Cotton Initiative spinning trials. It is apparent that with better ALS varieties in the pipeline there is potential for genuine premiums to be achieved for top end fibres. We do however have to continue to investigate how we can minimise neps and short fibre content in these cottons if they are going to reach their full potential.

ICA Conference, Singapore

The final leg of our trip involved attendance at the International Cotton Association conference in Singapore. This was a significant conference as it was the first held by the ICA outside Liverpool and acknowledged that Asia is becoming, or has become, the heart of the world cotton business.

The theme of the conference was "Protecting Your Cotton Business" and aimed to promote the missions of the ICA, that being "...ensure contract sanctity in the global trade of cotton" and "...protect the legitimate interests of all those who trade cotton, whether buyer or seller".

When compared with the trade of other commodities around the world the cotton trade is very well controlled and honest due to the existence of mechanisms such as the ICA default list which exposes cotton businesses which have not "played by the rules". It is important that as the focus of the cotton trade moves out of Europe and the US into Asia that the trade maintains its integrity.

The conference was a sell out with 450 people in attendance and was regarded as a great success by the organisers and delegates. Hopefully with continued promotion and education the cotton trade will continue to embrace the ideals of the ICA.

Premium Cotton Initiative

ACSA REMAINS a strong supporter of the Premium Cotton Initiative - which will soon conclude spinning trials of Australian Long Staple cotton in its fourth consuming market.

PCI trials have so far been held with partner mills in India, Thailand, China and soon Vietnam.

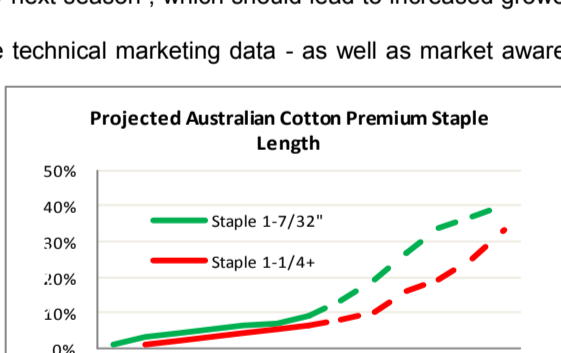
The trials aim to explore the spinning efficiency and quality of products that can be produced with Australia's new elite quality upland varieties, which are consistently producing fibre with 1-1/4" staple and strength in excess of 33GPT.

Currently, only around 7pc of the crop achieves these specifications, but the release of new varieties and development of better agronomic techniques is seeing this figure growing each year. On current industry trends, ACSA believes up to 25pc of the Australian crop could reach "ALS" specifications within the next five years.

The challenge for growers has been the ability to extract a premium for the higher quality fibre, as current varieties have typically extracted a 15pc yield loss compared to the bulk of the crop. A new, higher yielding premium variety will be released commercially next season, which should lead to increased grower uptake.

The PCI aims to provide technical marketing data - as well as market awareness - of the ALS fibre to ensure the market is "ready" for anticipated increases in production.

So far the trials have demonstrated ALS suitability for the production of up to 70Ne compact combed weaving yarns, and high quality shirting fabrics.



Australian Cotton Conference



UNPRECEDENTED interest in the 15th Australian Cotton Conference by the post farm gate sector will create unrivalled networking opportunities.

ACSA aims to utilise the event to "shorten the supply chain", by bringing production, logistics, marketing, manufacturing and retail industries together under one roof.

More than 60 delegates are expected from our major consuming markets of China, Indonesia, Thailand, Japan, Korea and India.

ACSA is aiming to add value for these direct buyers of Australian cotton by inviting their local customers - including local spinners, weavers and iconic Australian brand-owners - to participate in the event.

ACSA has been charged with convening the sessions on the second day of the conference, Wednesday 11th August.

A number of highly regarded speakers have already been confirmed, including cotton market experts Joe Nicosia of Louis Dreyfus Commodities, and Ed Jernigan of FC Stone Asia.

The "ACSA Day" will be broken into three sessions including "Trading and Markets"; "Positioning Australian Cotton for the Future"; and a

"Branding Australia Value Chain Forum".

A range of social events have been arranged to maximise the networking opportunities for delegates.

The conference would not be possible without the strong support of our sponsors. We'd like to thank the following ACSA Associate Members, who have already confirmed their support:

- ANZ Bank
- AWH Pty Ltd
- FC Stone Australia
- Hamburg Sud
- Logic Advisors/SFO Commodities
- Port of Brisbane
- Rekedres & Sons
- Sunrise Resources
- Toyo Cotton (Japan) Co.
- Transglobal Inspections
- Wakefield Inspection Services

Important Conference Details:

Where: Gold Coast Convention & Exhibition Centre, Broadbeach

When: August 10-12th, 2010

www.australiancottonconference.com.au

What You Need to Know

2009/10 Stats

Production: 1.6 million bales

Quality: 2009/10 quality should be at least as good as last season, when 80% of the crop produced 1-5/32" staple or longer.

2010/11 Forecasts

Production: Expected to rebound to more than 2 million bales.

What You Need to Know

Two iconic Australian brands are participating in a pilot project to take a "branded" Australian Long Staple (ALS) cotton all the way through to final product.

What You Need to Know

*ACSA continues to actively promote Australian cotton to consumers via the Export Market Development Program,

*A recent visit to the Thai and Indonesian markets has confirmed increasing recognition of the benefits of high quality Australian cotton - including Australian Long Staple and Best Management Practices.

What You Need to Know

*ACSA believes up to 25pc of the Australian crop could reach ALS specifications within 5 years.

*ALS cotton has successfully been used to produce 70Ne compact combed weaving yarns.

What You Need to Know

AUSTRALIAN COTTON CONFERENCE

August 10-12, 2010

Gold Coast Convention Centre, Broadbeach, QLD

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