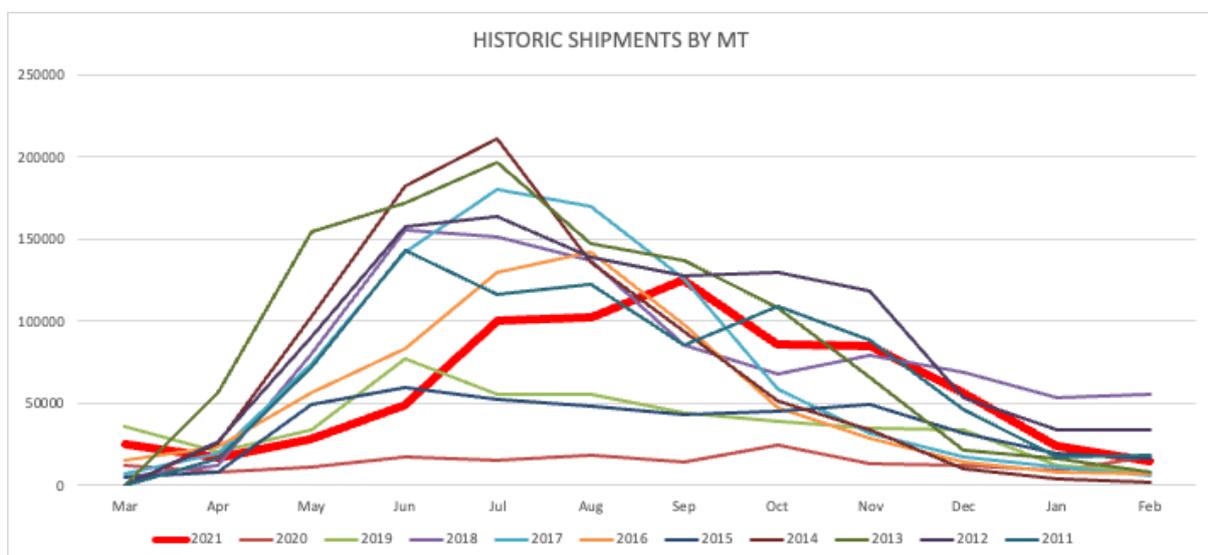


By Matthew Bradd, Australian Cotton Shippers Association

Australian cotton is for the most part 100% sold and exported each and every season. We have one of the most sophisticated forward marketing systems available in the world. The Australian cotton grower is able to sell up to 5 years forward, and merchants are able to sell forward to spinning mills typically 2-3 years forward.

In this manner, merchants will start building a book around their customers' requirements. While growers sell gin run delivery based on bale sequence, the buyers are able to lock in delivery months. For example, merchants may sell April and May shipments at seller's option of which month to ship, a second example would be May or June equal shipment meaning that the merchant needs to ship the contracted portion to the client over equal months. Other spinners might buy a strip of deliveries – for example 100 metric tonnes a month from April to December.

The chart below illustrates Australian exports by shipment month over a 10-year time frame.



What we can see is that new season shipments commence in April and peak around July each year before tapering off as the ginning season slows down into August and September. The highest shipment for May was back in 2013 with nearly 700,000 bales shipped. In July 2014 the industry shipped 930,000 bales - the highest on record. In this light, it proves Australia has a great capacity to meet the demand of shipments in a quick and timely manner.

The quantities vary based on production levels, growing conditions during the season, staffing at gins and classing houses, availability of trucks and rail to get the cotton from ginyard to ports and availability of equipment at the ports to get the containers onto the vessels. This season, the supply chain is facing challenges on all of these fronts.

Shipping is at capacity globally, shipping rates have increased significantly in the past 12 months indicating the demand is outpacing supply. We have serious congestion at ports, and issues with Covid lockdowns still impacting the global flow of container movements.

The state of play this year for Australia is that the crop is going to be one of the largest on record – forecast at between 5.2 and 5.5 million bales. Yields on irrigated and raingrown cotton are higher

than expected. The increase in production has come from significant rain events across the east coast of Australia and set us up with very healthy production levels into 2023 and 2024. However, it has also slowed down harvest, which will cause the industry delays in shipments of the earlier commitments in May. It's not an ideal scenario for merchants who have sold April/May shipments and with one of the largest crops on record this year, the supply chain capacity will be pushed to its limits. As an industry, we have an efficient supply chain and the capacity to ship to our customers quickly once the engines turn on at the gins and the warehouses start to fill up with cotton.

Wish us luck!

Ends