



# ACSA

AUSTRALIAN COTTON SHIPPERS ASSOCIATION

## MARKET REPORT - FEBRUARY 2026

### FROM THE CHAIR

Welcome to the first ACSA newsletter for 2026. I hope everyone had the chance to enjoy a well-earned break over the festive season and is refreshed and ready for another important year for Australian cotton.

The 2025 crop finished at approximately 5.4 million bales (1.225 million MT) and has continued to move strongly into market, with solid demand evident toward the end of the year. As detailed on the following page, from March to December 2025 Australia exported 5.07 million bales (1.15 million MT) - the second-largest volume for this period in our history - representing 95% of the crop.

In December, we saw the anticipated shift away from India following the reinstatement of cotton import duty, alongside a relative increase in shipments to China, Vietnam and Indonesia. For the full year, China remains our largest market at 29% of exports, with India and Vietnam following at 20% and 18% respectively. Global policy continues to play a significant role in trade flows and is likely to remain influential in 2026, particularly with new trade agreements emerging and developments such as BACA — the “Buy American Cotton Act”.

The 2026 Australian crop is currently forecast at 4.0–4.5 million bales (approximately 1 million MT). The projected 20% decline from 2025 reflects reduced water availability and softer cotton prices. Like growers globally, Australian cotton farmers have faced sustained cost increases in recent years, placing pressure on margins and influencing planting decisions.

Unlike growers in other countries, notably the USA, India and China, Australian cotton farmers do not receive government price support. Price risk is managed through derivatives and forward selling. However, the steady decline in ICE Cotton Futures, now combined with a strengthening AUD/USD exchange rate, has limited opportunities for growers to forward sell the 2026 crop at desired price levels.

As a result, grower-to-merchant sales are historically low — estimated at below 20%. Typically, growers are around 60% sold heading into harvest. We are hopeful for improved pricing opportunities in the coming months, with the bulk of harvest expected to commence in late March and early April.

Crop conditions are generally positive, with good yield and quality potential across most regions as crops enter the final stages of development. Extreme heat across the cotton belt in late January and early February placed pressure on irrigation management. The smaller-than-usual dryland crop will require timely rainfall to meet expectations.

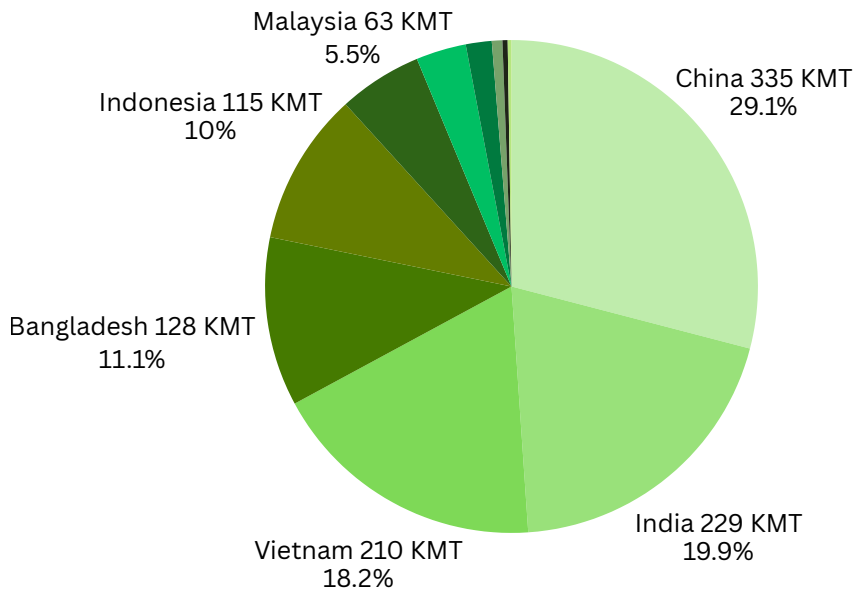
ACSA has a busy period ahead, with our Board meeting and Post Farm Gate Forum in late February, followed by the inaugural Cotton Fundamentals course in Narrabri in March. As a Conference year, planning is also well advanced for the legendary industry-wide Australian Cotton Conference on the Gold Coast in August.

We look forward to another strong year for Australian cotton and to engaging with all our valued partners across the supply chain.

Arthur Spellson  
Chair

# AUSTRALIAN COTTON EXPORTS

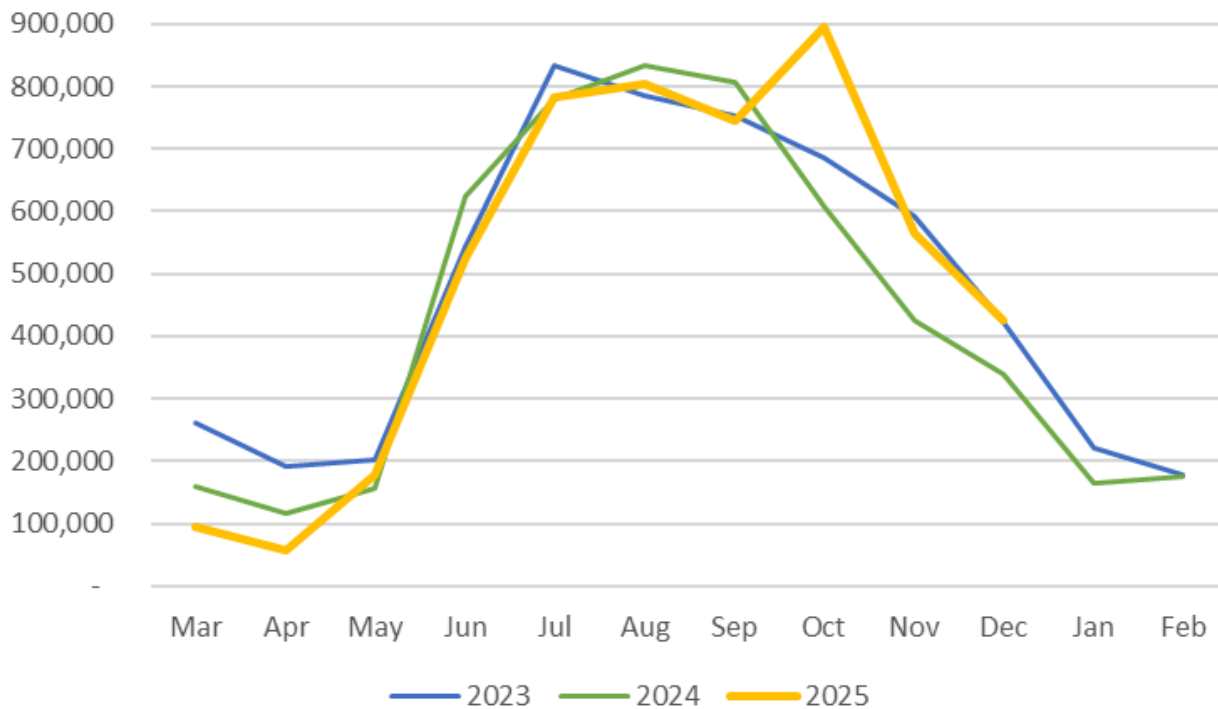
2025 SEASON YTD SHIPMENTS - to December 31, 2025



**BALES (227 KG)  
SHIPPED YTD  
5,070,698**

## HISTORICAL SHIPPING PACE

Bales



## 2026 CROP UPDATE - FORECAST 4.0-4.5 MILLION BALES

- Extreme heat January & February resulting in irrigation management pressure
- Good rain needed for dryland production
- Growers report good yield and quality potential
- Grower to merchant sales at record lows - positive pricing opportunities needed
- Harvest commenced in Central Queensland

# WHEN ECONOMICS 101 MEETS GLOBAL COTTON POLICY

By Josh Zarco

Global cotton has a long and well-established history of farmer support and subsidy programs across most producing countries. Prices are driven by many factors, but the basic principle I learned in Economics 101 still applies: markets tend to find an equilibrium where supply meets demand. In cotton, however, supply and demand do not operate in isolation. Government intervention across multiple markets influences behaviour and market outcomes, and not always efficiently.

Subsidy programs are typically justified based on income stability, domestic supply security and support for critical downstream industries such as textiles. Those objectives are understandable. However, when government support becomes a permanent feature rather than a counter-cyclical one, it inevitably affects production decisions.

At a global level, this leads to sustained output even when prices suggest production should reduce, raising the question of how level the global playing field is and for the Australian cotton industry.

China has shifted from stockpiling imported cotton to providing direct income support for growers, alongside major investment in mechanisation, irrigation, seed technology and logistics. These measures have improved efficiency and reduced costs, allowing production to continue rising even when global prices are low. As a result, output is now significantly higher than when the support framework was first introduced.

India supports around 6 million cotton farmers through minimum support pricing designed to sit above production costs and provide income certainty. When market prices fall below support levels, the Cotton Corporation of India procures cotton to stabilise farm incomes. While these policies support rural communities, and are politically sensitive, they can also lift domestic prices and influence global trade dynamics.

In the United States, support is delivered through a combination of income protection and risk-management programs tied to historical acreage and yields. Crop insurance subsidies, price loss coverage, agriculture risk coverage, and marketing assistance loans all provide downside protection and liquidity to no-one other than the farmer. The US balance sheet ultimately anchors the global cotton market, yet it is hard to argue that current US production, or India or China, would look the same without these support mechanisms that are in place.

Together these countries account for more than half of global cotton production and consumption and while their support differs, the impact on global supply is significant. These policies make sense from each country's perspective, however, with the Cotlook A Index at around 73.35 US cents per pound and global production still growing despite higher input costs, it raises the question of how the market might look without widespread government support. Basic economics suggests that when normal price signals are overridden, production does not always move to where it would under typical market conditions. This dynamic continues to shape the global cotton market today.

## References:

<https://www.reset-foundation.org/en/post/icac-cotton-subsidies-report>

<https://www.cotlook.com/prices/cotlook-a-index>

# MEET YOUR SUPPLY CHAIN PARTNER

COFCO International is focused on being the leader in the cotton, grains, oilseeds and sugar supply chains, with assets across the Americas, Europe, Africa and Asia-Pacific. Headquartered in Geneva, Switzerland, we are ambitious, with the right structures and culture to meet the world's increasing and changing needs.



## COFCO INTL

We source cotton bales from farmers and ginneries and sell to textile manufacturers. We have commercial offices to support our operations in the world's major cotton producing and consuming markets including Australia, Brazil, China, India, Turkey, USA and West Africa.

We are taking definitive action to improve our sustainability performance and build resilience across our supply chains by raising standards among our suppliers, and sourcing commodities produced in line with sustainability certification programs such as Better Cotton Initiative.

Through our Melbourne-based subsidiary, CIL Australia North Pty Ltd, we source Australian cotton directly from local farmers and market it to all cotton importing and consuming countries.



## CONTACT

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