

Australian cotton to Vietnam

By Matthew Bradd, Australian Cotton Shippers Association

At the time of writing, the Australian Cotton Shippers Association, represented by Rob Cairns, Michael O'Rielley and Matthew Bradd are on an export market development trip to Vietnam and Thailand as part of the Federal Government funded ATMAC program which aims to assist exporters diversify markets following China's instigation of the soft ban on Australian cotton.

Vietnam is the world's second largest cotton importer - importing around 6.8 million bales each year. China, Vietnam, Turkey and Pakistan are expected to buy a combined 27 (480 lb equivalent) million bales this year – a good balance to the top three exporters' 27 million bales – with USA at 12.6 million, Brazil 8.4 million and Australia 5.5 (480 lb equivalent) million bales. World trade (imports and exports), is 40 million bales with 67% of that trade focused in these countries.

It is important to note here that it isn't always easy to reconcile crop numbers owing to different growing periods and cross overs of seasons.

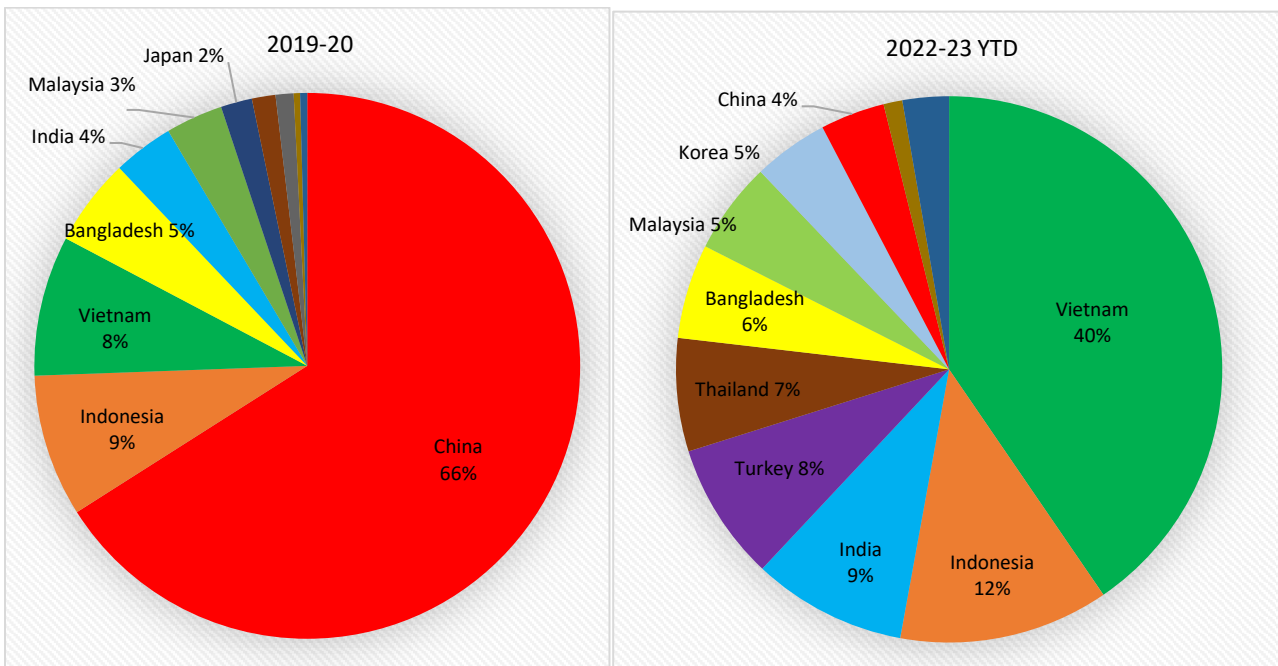
Vietnam experienced rapid import growth from 2014/2015 until 2017/2018, increasing from 4.275 million to 7 million bales. This growth has stabilised between 6.5 and 6.8 million bales. Political diversification, cheaper electricity costs and cheaper labour have been the main drivers of this stabilisation. Added to this, foreign direct investment from China, Korea and Taiwan is dominated by a few strong handed players. The Vietnam market has a preference for USA GC 31-3-37 or Brazilian Middling 1-1/8" with most purchases based on price. The USA is by far the origin of choice but Australia is in the box seat to compete with the USA for a significant market share in the world's second largest importer.

If we break down the origins of the investment in Vietnam, we will find basically that Chinese investment accounts for around 48 % of consumption, Taiwan 7% and Korean 2%. Domestic investment from locals around sits 42% of consumption.

This provides Australia us with many opportunities - we have a great combination of large volume importers to take significant shipments, with 15 medium sized domestic customers with the ability to buy the many different qualities produced in the wetter years.

2022 is a case in point. The colour grade of our crop this year is made up of more Middling and Strict Low Middling than usual. With these qualities, Vietnam has proven an excellent import partner buying Middling and some SLM qualities. Other markets buying the lower colour grade cotton we produced this year include India, Turkey Thailand and Bangladesh. Interestingly, if this grade scenario occurred in 2019, where we relied on China for two-thirds of our imports, we would have been in a very significant predicament with China forward buying Strict Middling colour grades. Merchants would have needed to re-invoice, find new buyers and this would have been detrimental to the basis.

AUSTRALIAN RAW COTTON BALES EXPORTED
(2019 VS 2022 YTD)



This takes us to the destinations of Australian exports at the moment and the effect of the China soft ban. The chart above showed in 2019 we were focused on one market - China. Following the soft ban, Australia has been able to diversify its cotton exports to over 15 different markets successfully and grow our market share significantly versus other origins.

Australian cotton is a success story with its complete package of superior fibre characteristics, proximity to consumers and competitive prices we have been able to successfully diversify in our largest crop on record.

Ends