

Government Spends Big on Expanding Export Markets for Cotton

By Roger Tomkins & Greg Noonan, Australian Cotton Shippers Association

“There isn’t any significant difference between the various brands of whiskey, or cigarettes or beer. They are all about the same. And so are the cake mixes and the detergents, and the margarines... The manufacturer who dedicates his advertising to building the most sharply defined personality for his brand will get the largest share of the market at the highest profit.” – David Ogilvy

This may well be the case for whiskey or beer but certainly not for cotton. We all know that Australian cotton is way superior to anything else grown on this planet and as Mr Ogilvy stated, it’s all about how we tell the story, spread our message and more importantly, deliver a fibre that will keep our spinning mill customers coming back for more.

Announced late last year by the Hon David Littleproud, Minister for Agriculture, the federal government has made available \$72.7 million to fund projects aimed at expanding and diversifying agricultural export markets. The Australian Cotton Shippers Association (ACSA), in partnership with Cotton Australia, has been successful in securing funding under this, the Commonwealth’s Agricultural Trade and Market Access Cooperation program (ATMAC). These much needed funds will be used to support new initiatives aimed at ensuring longevity of global demand for Australian cotton regardless of the conflicting political ideologies of existing trading partners while expanding our reach into new and emerging markets. Or, as per David Ogilvy, building the Australian cotton brand into one with the most sharply defined personality of any raw cotton growth.

In what is seen as a major momentum boost to this very import initiative, ACSA has engaged the services of Greg Noonan from Hillside Agribusiness to lead its *“Taking Australian Cotton to the World”* market diversification program. This program will focus on making Australian cotton the fibre of choice for importers around the world, building long term relationships with buyers in key markets and maximising the price premium for Australian cotton. Export market activities will include a communications program to not only promote the outstanding quality and sustainability credentials of Australian cotton, but also to keep agents and buyers up to date with developments in the Australian cotton industry. *“Content is king, but engagement is queen, and the lady rules the house!” – Mari Smith.*

Greg is an agricultural markets professional who brings over 20 years of trading, marketing and leadership experience in the cotton, grains, sugar and financial services industries to the program. In a recent ACSA media release Greg stated that *“It’s an exciting time for the cotton industry with production prospects for the near future looking great. The global cotton market is very competitive, so it’s vital that we put Australian cotton front and center in the minds of buyers as their fibre of choice”.*

I recently had the opportunity to sit down with Greg to discuss his appointment and to hear his thoughts on how best to ignite the Australian Cotton brand.

Can you please tell us a little bit about your new role with ACSA?

I’ve been appointed by ACSA to lead its *“Taking Australian Cotton to the World”* program. This program aims to promote Australian cotton in our export markets. The goal is to entrench Australian cotton as fibre of choice not only in the spinning markets we’ve supplied for decades, but also new and emerging markets. It is all about creating recurring demand for our cotton across a broad range of markets.

Cotton Australia has also obtained funding via an ATMAC grant. Can you please explain how the work you are doing for ACSA differs to that of Cotton Australia?

The ATMAC program is a \$18.4 million federal government initiative to partner with industry associations to improve Australia's access to overseas markets, including through research, training, and capital works that support improved market diversification. The cotton industry successfully obtained funding under the program for two projects. The project that I am leading for ACSA focuses on positioning Australian cotton with spinning mills and a second project led by Cotton Australia looks to create downstream demand for our cotton through the promotion of the industry's sustainability credentials to apparel chains.

As an overall industry approach, how well does the work being conducted by Cotton Australia fit in with what you are doing for ACSA?

The work being conducted by Cotton Australia is closely linked to the ACSA program I'm working on. Cotton purchasing decisions by spinning mills are intrinsically linked to demand further downstream in the textile value chain. Driving demand for Australian cotton is not only about convincing spinning mills that it's an outstanding raw material to work with, but also creating more opportunities to sell yarn and fabric produced from Australian cotton. Similarly, the sustainability and traceability value proposition that Cotton Australia is promoting with apparel chains is reliant on chain of custody being maintained from grower to spinning mill. Cotton shippers have a critical role to play in ensuring that retailers and brands have confidence when making content claims for their finished products.

What do you consider to be your key milestones and targeted outcomes for the work you are conducting?

This is the first time ACSA has undertaken a project of this kind and it's a great opportunity to take a strategic look at how we promote and market Australian cotton as an industry. There's an immediate need to expand our destination markets given the context of increased production and the absence of China as a buyer of our cotton in the coming seasons. But it is equally important to use this opportunity to look at the things that will improve our competitiveness over the medium and longer terms. We need to be considering how we differentiate our offering from our competitors into the future. The target outcomes are to expand market access whilst maximising returns for Australian cotton in the near term and establishing a strategy to maintain that position into the future.

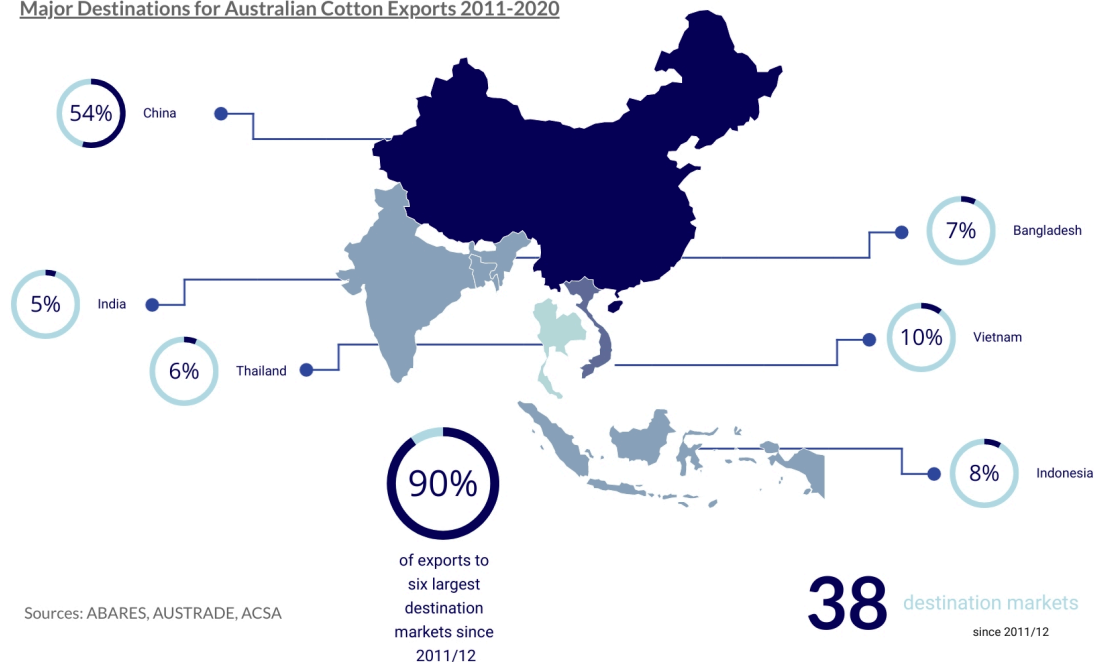
How do plan on achieving these outcomes?

There are some things we're going to get started immediately. The Covid-19 pandemic has reshaped how we communicate with partners in destination markets. We're going to ramp up our digital communications with our customers to make sure they are kept up to date with what's happening in the Australian industry. Hopefully we can supplement this with some in person marketing activities in target markets in 2022, but regardless it is important that we improve the frequency and quality of the information we share with our markets. There is also a strategic plan that will be completed this month that will set out a range of objectives and actions for the coming years.

Is it simply a matter of opening up new markets for Australian cotton?

The export markets for cotton continue to consolidate. China represents about one quarter of global import demand and the next four largest markets of Vietnam, Bangladesh, Turkey and Pakistan account for another 50% of total imports. There's a range of quality and logistical factors that make some markets unviable for Australian cotton exports. Over the past decade Australian cotton has been sold into 38 different destination markets, but there has been a significant reliance on China and five other importing nations. It's important to understand which markets have appetite and capacity to use Australian cotton then targeting our efforts accordingly.

Major Destinations for Australian Cotton Exports 2011-2020



What do you see are the main constraints the Australian cotton industry faces in selling their crop into a global marketplace?

In the absence of a compelling value proposition, commodity markets revert to price as the key factor that drives purchasing decisions. In a highly competitive market with large producers like Brazil and the US exporting vast quantities of cotton to all major markets, part of the challenge finding buyers that will pay a premium for our higher quality product. The quality of our competitor's cotton is improving, so our advantage as supplier of premium cotton is diminishing.

What are our key advantages?

We produce the purest cotton in the world. Australian cotton is less contaminated than other origin cottons, which creates operational efficiencies for spinning mills. Our cotton is produced sustainably and is backed by the myBMP program, which is increasingly important for apparel brands that require assurances that their raw materials are produced ethically and in an environmentally sound manner. We're also well positioned geographically to access key Asian markets with short shipping times.

With the work that you and Cotton Australia are doing, what do you see will be the primary benefit, or benefits, for the Australian grower?

This program is designed to ensure that Australian cotton continues to find its way into the markets that generate the highest returns for growers. It's about preserving the premium that Australian cotton has attracted in global markets for decades as a high quality, consistent and sustainable product. With the production outlook positive, it's critical that we ensure that we get the marketing of our crop right so that the price to the grower is maximised.

Some great insights from Greg Noonan. With a potential 5 million bale crop on our doorstep and the tiff with our major trading partner showing no signs of abating, there has never been a more important time to get our message out there and to ensure the Australian cotton industry has the most globally recognised, sharply defined personality of any fibre to grace the spinning frame. To quote that famous marketing guy Albert Einstein, *"Creativity is intelligence having fun"*. Let's go and create!

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