

I LOVE A SUNBURNT COUNTRY

By Michael O'Rielly, Chairman, Australian Cotton Shippers Association

I love a sunburnt country – drought, a promised La Niña, drought-breaking rains, river flows and the continuing COVID saga.

I had hoped to be sharing with you the successes of the Australian Cotton Seminar which was to be held on March 30. Alas, Brisbane was declared a hotspot and went into a three-day lockdown and with it, went our seminar which was set to reach more than 500 spinning mills globally. At the time of writing, we are waiting to see what the fallout is regarding additional cases and lockdown rules, but we hope to reschedule the seminar for later in April. The webinar will be the first of its kind for ACSA, a great way to reach many people and many markets in a short amount of time. Traditionally these types of seminars are done by way of traveling to the markets but since this isn't possible at the moment, a digitally delivered seminar is the next best thing.

On a merchanting front, cotton exporters continue to be confronted with export challenges. Recently released export data has demonstrated the impact the soft ban on Australian cotton imports to China. The last two reported shipping months (December and January) had China at only 4.3% of total exports for the last two months. This is a massive drop off, and a clear indication of the crippling effect the deteriorating Chinese-Australian political relationship is, and will continue to have, on trade between the two countries. China is an important cotton trading partner of ours having, over the last two decades, taken on average around 60 to 70% of our product. At some stage in the future China will no doubt re-enter as a major consumer of Australian cotton however it will likely take a number of years for trading ties with China to strengthen and, even when they do, we may never reach the export figures obtain previously. ACSA and its Members have already moved on and are taking all measures necessary to ensure that Australian cotton is the fibre of choice for the global spinning industry.

We can survive without China, however they do represent more than 50% of the world's textile trade over virtually all stages and sectors. Indonesia, Turkey and Vietnam have been active buyers of late of Australian cotton filling in the void that Chinese buyers have left. Unfortunately, it is the Chinese spinners who truly appreciate the quality and value of Australian cotton and with their buying interest no longer in the market the basis of Australian cotton has fallen significantly.

To top this off, in February, India's Government announced it would impose 10% duty on cotton imports. The tax comprises a basic customs duty of 5% and an additional 5% levy to finance the development of agricultural infrastructure in the country. This 5% levy on overseas purchases will potentially support local prices amid higher domestic production and prevent distress sales by growers.

The tariff imposed by the Indian Government is across all growths of cotton so at least Australian cotton is not disadvantaged over other cotton styles. We have been working with DFAT (and the NFF Trade Committee) to make them aware of the issue and they in turn will take this to the WTO in March but are not confident there will be a change to this position. Most industry associations around the globe are corresponding with local Indian associations who are attempting to bring pressure to their Government but again, we believe the likelihood of effecting change is minimal.

Added to this, there are a number of export logistical challenges. Moving a 2.5 million bale crop should be a piece of cake however ACSA members are gearing-up for a number of exporting challenges including:

- Limited vessel space being offered to non-Chinese markets especially to the Indian sub-continent
- Congestion surcharges being imposed on importers and exporters by stevedores
- Delays in obtaining phytosanitary certificates from the Commonwealth Government
- Continuing maritime disputes at our exporting ports of Brisbane, Sydney and Melbourne
- The Suez Canal problem with a large shipping vessel being stuck - the flow on effect will be felt through the whole ocean freight supply chain

It isn't all doom and gloom though. ACSA is developing an array of initiatives aimed at expanding our message to different markets.

- Live broadcast (and interaction) of the Australian Cotton Seminar – which will be rescheduled and will reach up to 500 mills globally plus agents and textile industry participants
- ACSA will also be submitting a proposal for an ATMAC grant. The Australian Government recently announced it will invest \$72.7 million to help Australian farming, forestry and fishing exporters to expand and diversify their export markets. It is ACSA and Cotton Australia's intention to make a joint submission for a grant that will focus on market diversification and the cotton to market supply chain. Key to these grant opportunities is the backing of industry so we hope we can count on the support of the wider Australian cotton industry in our endeavours to secure a small slice of this government funding to assist with securing a resource that conduct more in-depth research of our markets, build relationships and tell the Australian cotton story on a wider scale. Fingers crossed.

We are looking forward – harvest is coming and we know some of you have been challenged by rising water and river flows. Here's to a good drying out and fine and sunny days to finish off the crop.

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