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Australia

Cotton and Products

Cotton Quarterly March Lockup

2009

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Report Highlights:

Australian cotton production appears to be recovering from long running and severe drought. Total cotton production for 2008/09 is forecast at 1.4 million bales, up sharply on the record low 0.62 million bales produced in the previous year. However, post advises that despite the forecast increase, production remains well below the ten-year-average of 2.4 million bales. The 2008/09 harvest will commence in March but will not likely reach full swing until April.

Includes PSD Changes: Yes
Includes Trade Matrix: No
Quarterly Report
Canberra [AS1]
[AS]

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SECTION ONE: SITUATION AND OUTLOOK

General

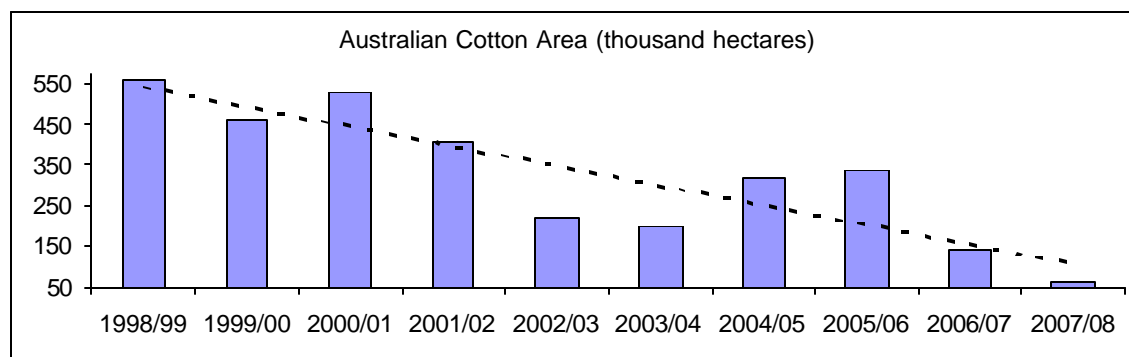
Australian cotton production appears to be recovering from long running and severe drought due to above-average seasonal conditions since planting concluded in November. Increased rainfall, in particular, helped plantings surpass the previous forecast and yield is currently assumed at well-above the ten-year-average.

Post has revised planted area upwards for 2008/09 and anticipates slightly higher yields than last reported. Despite these increases however, production will remain below the long-term average despite a sharp increase from the previous year's record low production.

Precipitation in key cotton growing areas has given rise to concerns regarding weather conditions at harvesting. A continuation of above-average rainfall leading into harvest would see deterioration in quality and (in the most extreme case) a reduction in yield and area. Post has assumed average weather conditions for the rest of the season.

Area

Post has revised planted area for 2008/09 upwards to 164,000 hectares in line with the recent upward revision reported by ABARE. This represents a significant recovery from record-low area experienced during the previous year. Improved rainfall and subsequently improved irrigation water supplies have caused this forecast to be revised upwards. Post advises that this area includes some "skip row" plantings and dry land plantings.

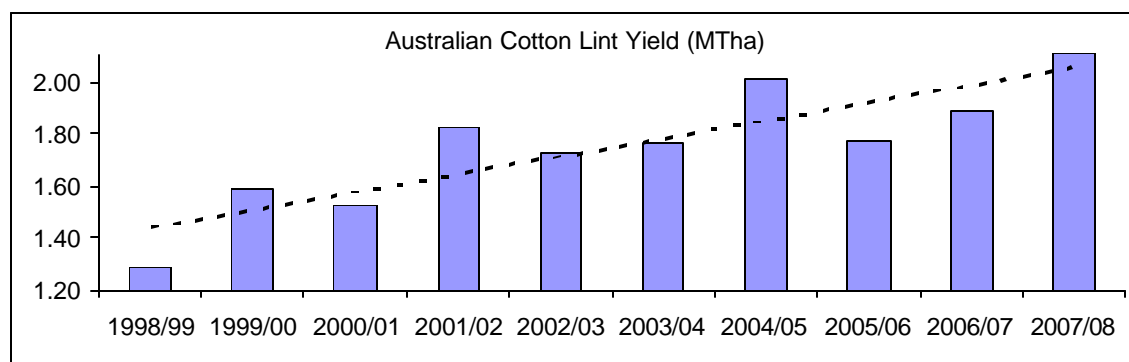


Source: ABARE Data

Yield

Above-average rainfall has greatly improved production conditions. Post's production forecast for 2008/09 assume a yield of 8.5 bales per hectare. This yield is significantly higher than the ten-year-average of 8.02 bales per hectare.

Overall yields have only been constrained by the inclusion of a significant area of lower yielding "skip row" and "dry land" cotton plantings. Industry sources suggest that this area could be as high as 16,000 hectares. Despite this, potential remains for further increases in yield for the 2008/09 cotton crop.



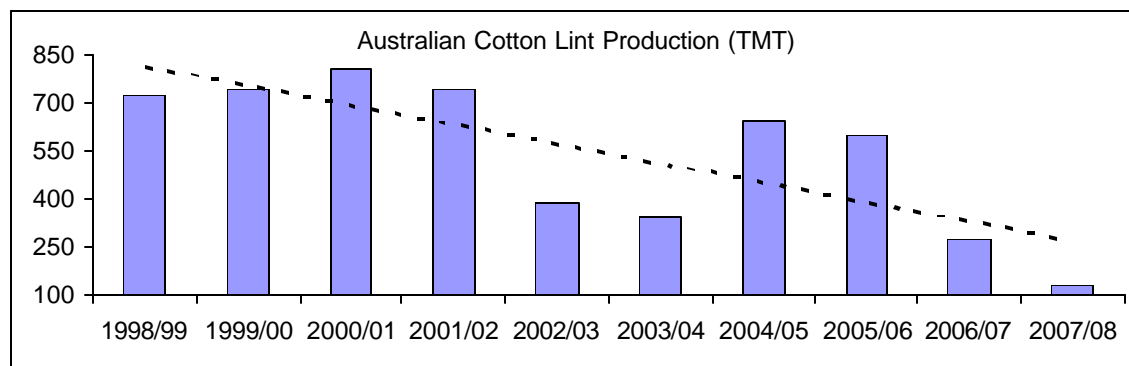
Source: ABARE Data

Production

Total cotton production for 2008/09 is forecast at 1.4 million bales, up sharply on the record low 0.62 million bales produced in the previous year. Increased area and historically high yields are expected to see production increase sharply. However, despite the forecast increase, overall cotton production remains well below the ten-year-average of 2.4 million bales.

Severe and prolonged drought, which began in 2002/03, depleted supplies of irrigation water. Above-average rainfall and improved irrigation water allocation in some areas have allowed Australian cotton production to recover from the record low levels of 2007/08.

The 2008/09 harvest will commence in March but will not likely reach full swing until April.



Source: ABARE Data

Exports

Total cotton exports for 2008/09 are forecast at 1.15 million bales. Post advises that much of the 2008/09 crop will likely be processed and exported in the following year and so an increase in exports often lags increases in production.

SECTION TWO: STATISTICAL TABLE

PSD Table										
Cotton										
	2006	Revised		2007	Estimate		2008	Forecast		UOM
	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	
Market Year Begin		08/2006	08/2006		08/2007	08/2007		08/2008	08/2008	MM/YYYY
Area Planted	0	0	0	0	0	0	0	0	0	(HECTARES)
Area Harvested	145	144	144	65	65	65	160	160	164	(HECTARES)
Beginning Stocks	1,938	1,938	1,938	1,154	1,267	1,011	530	743	438	1000 480 lb. Bales
Production	1,350	1,350	1,207	620	620	620	1,350	1,360	1,400	1000 480 lb. Bales
Imports	0	0	0	0	0	0	0	0	0	1000 480 lb. Bales
MY Imports from U.S.	0	0	0	0	0	0	0	0	0	1000 480 lb. Bales
Total Supply	3,288	3,288	3,145	1,774	1,887	1,631	1,880	2,103	1,838	1000 480 lb. Bales
Exports	2,129	2,041	2,129	1,219	1,169	1,218	1,150	1,300	1,150	1000 480 lb. Bales
Use	55	55	55	50	50	50	50	50	50	1000 480 lb. Bales
Loss	-50	-75	-50	-25	-75	-75	-50	-75	-75	1000 480 lb. Bales
Total Dom. Cons.	5	-20	5	25	-25	-25	0	-25	-25	1000 480 lb. Bales
Ending Stocks	1,154	1,267	1,011	530	743	438	730	828	713	1000 480 lb. Bales
Total Distribution	3,288	3,288	3,145	1,774	1,887	1,631	1,880	2,103	1,838	1000 480 lb. Bales
Stock to Use %	53	60	46	42	61	35	61	61	59	(PERCENT)
Yield	2,027.	2,041.	1,825.	2,077.	2,077.	2,077.	1,837.	1,851.	1,859.	(KG/HA)

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AS9003	February Grain Lockup	01/29/09
AS9002	New Support for Wheat Exporters to Develop Markets Announced	01/27/09
AS9001	Australian Government Announces Food Production Grants Programs	01/23/09
AS8061	Recent Weather & Crop Impact	12/29/08
AS8060	Dried Distillers Grain	12/29/08
AS8059	Wine	12/08/08
AS8058	December Grain & Feed Update	12/03/08
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