

THE AUSTRALIAN COTTON INDUSTRY - THE CHALLENGES

An overview by **Ralph Schulzé**

Where does the Australian cotton industry see itself in ten years time? What challenges will it face? How will it address those challenges?

Challenge 1 - Marketing

How do we market 3 million bales? Australia certainly has the capacity to produce over 3 million bales. To reach that level all we need is a combination of realistic world prices, full water storages in all areas, and favourable conditions in raingrown areas.

This question has already been addressed by the Australian Cotton Shippers Association (ACSA) and the Raw Cotton Marketing Advisory Committee (RCMAC). The outcome of their studies is not yet known.

Financially and logistically marketing 3 million bales of consistent high quality cotton is not difficult. The difficulties arise when poorer quality varieties, or weather damaged cotton, or mixed types, enter the equation.

- Weather damage is a 'natural part of life' and marketers must develop suitable markets for weather damaged cotton. They must avoid the temptation to mix it in with superior cotton. They must also avoid overcommitting high grades because the cost of renegotiation can be crippling.
- To protect Australia's name as a quality producer, the industry needs to reconfirm a minimum fibre quality standard for new varieties. This was done ten years ago and was one reason for a significant increase in the premium for Australian cotton.
- The generic promotion of Australian cotton needs to be encouraged. Not all our marketers are solely handling Australian cotton and therefore 'brand name' promotion has disadvantages. With a relatively small number of players, effective co-ordination is important. Discounting against other Australian growths disadvantages the producer.
- Marketers need to keep abreast of the dynamics of change, between countries, between mills, between different spinning equipment. Ideally one to one relationships between ginners and spinning mills can result in fine tuning specifications and price to the advantage of both.

Not all marketers have a sound knowledge of the operations and needs of spinning mills, nor of downstream end users. Similarly some buyers and spinners don't understand field production or ginning.

- Ginners must also be aware of the spinners problems and minimise fibre damage and increased short fibre content caused by the excessive use of heat and other factors.
- Growers must recognise that they are really producing garments - not seed cotton. Immature fibre and weak fibre lead to real problems in manufacture and dyeing. Inevitably these problems result in low prices and a loss of reputation.

Challenge 2 - Controlling Costs

World prices will rise and fall and without subsidy or protection the Australian cotton farmer is vulnerable. Market wise, most growers do use risk management techniques to buffer against some of those effects.

- The cost of inputs in Australia is dearer than in most competing countries. Increased efficiency and yield coupled with aggressively reducing costs is the only long term solution.
- Many costs are influenced by Government e.g. water charges, diesel fuel rebates, import duties on inputs, and the industry must be politically active (along with all primary producers) in containing these costs.
- A recent study undertaken by the Centre for International Economics showed that assistance to the Australian cotton producer was "minus 2%".
- Other costs are really determined by 'what the market will stand'. Without strong and co-ordinated action, individual farmers can be exploited. Farmers need to be more aggressive in exposing exploitation and using their collective purchasing powers. Fears have certainly been raised in the areas of pesticides, fertilisers, and more recently , in 'transgenic cotton'.

Challenge 3 - Bureaucratic Constraints

Policy makers tend to 'grease the squeaky wheel'. There is a real danger of over reacting to the loud claims of self appointed 'consumer' representatives. This results in bringing in legislation and regulation to quieten these extremists, but which bring great harm to farmers, to the regional communities which depend on farming, irrigation and cotton, and to the whole concept of decentralisation and regional development. The distribution of water is but one example. The cotton industry should not seek to fight this fight alone but should align itself with the rural community and strive for fairness and balance.

Challenge 4 - The Environment and Resources

Every farmer must recognise that society will not permit the abuse of our resources. A farmer must be a steward, passing those resources to the next generation in even better condition.

- Sustainability must be approached in a balanced way - ecological, economic, and social. Yet some extremists only focus on the ecological aspects and in doing so lose sight of reality. Through the application of the industry's Strategic Plan, and its serious adoption of 'Best Practice' principles, the industry can slowly overcome the desires of the nihilists and extremists.
- Water is currently an emotive issue. Along with other productive water users we need to increase our political effectiveness - at regional, state and national levels. Again the aim should be a fair and equable outcome - not a selfish one for the cotton industry.
- We must manage our pest management to ensure pesticide drift or residues never brings harm to neighbours, to the community or to the environment.

Challenge 5 - Research

If Australia is to compete internationally and overcome domestic costs pressures and political constraints, it has to 'farm smarter'. It must be smarter and more efficient than its competitors.

- The new tools with which to fight this battle are the outcomes of research. We need to be quick to adapt that research to our needs. Field consultants and extension officers share in implementing this challenge.
- Cotton farmers need to have more input into determining research priorities and in highlighting any deficiencies. They also need to ensure that their research dollars are spent wisely, efficiently, and effectively.
- The industry is fortunate in having so many outstanding and dedicated scientists. Over twenty post graduate researchers will help fill the future ranks of researchers. CRDC, ACGRA and the industry work exceptionally well together and this co-operation also embraces the Co-operative Research Centre.

Challenge 6 - Industry Direction and Co-ordination

Although industry reorganisation is not an objective of the Industry Strategic Plan currently being developed, it should address this issue. Many believe that although co-operation is good, co-ordination between the various industry organisations is not.

- To address future challenges, effective co-ordination is essential. At the same time there are fears that centralised power can be abused. Perhaps a uniform voice for the industry is more important than a single voice.
- The industry is not a homogeneous one, and there are many obstacles which thwart those who promote a centralised 'peak body'. Some component bodies in the industry are empowered through legislation e.g. CRDC; others are incorporated in their own right, e.g. ACGRA, ACF, CSD; yet others are informal. With this diversity there is probably no workable system where all could be subservient to a single peak body.
- This apparent weakness must be turned into a strength, and an effective co-ordination system developed. Say an Australian National Cotton Council - where the autonomy of the membership organisations is preserved and specific co-ordinated tasks are delegated to the Council.
- In meeting the challenge of the future we also need to encourage younger people and women with new ideas into responsible positions in the industry. The Australian Rural Leadership program can help us in this regard.
- Groups like the NFF, the Australian Conservation Foundation, and the Irrigation Association of Australia, can all be a source of new ideas and a source of guidance and criticism. We should seek that help and never be insular in our approach to the future.
- The cotton industry is part of the local, rural and broader communities and must work with them and for them - never in isolation.

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