Cotton Growers in A Future Marketplace

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Supply Chain Management

The future of the Australian Cotton Industry will be determined by grower's ability to meet the needs of our customers. The first thing that needs determining is 'who is our customer?' Presently I'm sure most growers consider that the merchant is our customer, because that is who pays us for our cotton. However, we must change our thinking, because it is the spinning mill that is our true customer, and for there to be a future marketplace for our cotton, we must produce a fibre that suits the mills, not the merchants, requirements.

Customer Requirements

What do mills want? Nearly every forward sale to a mill of Australian cotton is made on a grade of 1"1/8 long, 21-2 colour and leaf (strict middling), 3.8 to 4.5 micronaire and 28 grams per text minimum strength. In most years eighty-five to ninety percent of the Australian crop falls within this range. This type of cotton is presently commanding a substantial premium over comparative growths. However, most merchants buy cotton from growers on a base grade of 1"3/32 long, 31-3 colour and leaf (middling), 3.5 to 4.9 micronaire and no strength penalty below 27 grams per text. So why the discrepancy? Every merchant produces a P & D sheet that applies to that cotton, so growers know they will be heavily penalised for producing a poor quality bale. Would it not be better to advertise our base grade as the higher quality, thereby demonstrating to our customers that we are confident of growing such cotton? If mills truly want a higher grade of cotton, lets make the base grade for Australian 1"1/8, 21-2, 3.8 – 4.5, 28 GPT minimum. Let the premium in our basis reflect the outstanding fibre characteristics that growers are delivering. Lets not follow the lead of the USA and keep the same base grade of 41-4 colour and leaf (strict low middling) and 1"1/16 length for nearly 100 years. There is no point in producing a lower grade fibre that will have to compete against other poor quality growths that we have no hope of matching because of lower production costs or government subsidisation of growers.

Quality versus Quantity

As a grower from Central Queensland, I realise that these tighter constraints, especially regarding micronaire, will make it extremely difficult for me to produce fibre in these ranges. However, there is no point in growing cotton that our customers do not want. In conjunction with seed companies, we will have to come up with new varieties that produce cotton in a tighter micronaire range. The traditional focus upon yield will have to be modified to take into consideration stricter quality parameters. There is no point in growing a five bale crop of high mike, low strength, short staple cotton that is going to be discounted $130 bale to the grower and the merchant takes another hit trying to sell this onto a mill. There would be more advantage in growing three and a half bales of premium quality cotton for which the merchant can find a ready home. The grower makes more money, the merchant has a ready market for the fibre and the mill is provided with a premium bale of cotton.

The Future

The Australian cotton industry is recognised worldwide as a leader in our field. We have demonstrated in the past a willingness and ability to deal with problems that confront us. The market is dictating to us that it requires specific fibre characteristics from our cotton. What of future quality parameters such as neps and short fibre content? When these characteristics become more easily and accurately measured, mills are going to be placing requirements upon the merchants for these. Where will the trade off be? Will a mill be willing to accept more trash, in exchange for less neps? Or more importantly, will they be willing to pay for more trash and less neps? These are the questions that must be openly and vigorously debated amongst growers, merchants and mills.