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Australian Cotton Shippers Say Loss Estimate May Rise (Update1)  
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(Updates with prices in fifth paragraph.)

By Wendy Pugh

Jan. 11 (Bloomberg) -- Cotton crop losses from flooding and heavy rainfall in Australia, the fourth-largest exporter, may increase if wet weather continues, Australian Cotton Shippers Association Chairman Arthur Spellson said.

"We have probably already lost about 300,000 bales but that could go up, it just depends on what happens with the weather from here on in," Spellson said by phone today. The Brisbane-based group had been forecasting record output of more than 4 million bales, he said.

Queensland state has been inundated for more than two weeks after downpours lashed northeastern Australia, flooding coal mines and farmland. Crop damage on the Darling Downs, where heavy rain caused flash flooding yesterday, remained unclear, Spellson said.

"The ability of cotton to recover is going to be determined by whether it gets a lot of good, hot, sunny weather from now, and it's obviously not getting that at the moment," he said. The crop is mostly harvested from about March to May.

Cotton for March delivery on ICE Futures U.S. in New York gained 0.8 percent to \$1.4440 a pound at 2:29 p.m. Melbourne time. The contract reached a record \$1.5912 on Dec. 21.

Australian production is still forecast to rebound to an all-time high after years of drought as above-average rainfall in 2010 boosted irrigation dams and soil-moisture levels, while rising prices encouraged planting.

Rabobank Groep NV yesterday cut its forecast by 8 percent to 3.95 million bales, still a record level, it said in a report. Queensland's output may have been cut by 500,000 bales, or by about 65,000 hectares (160,618 acres), it said.

#### NSW Production

"Despite these losses there is still significant upside production potential for the New South Wales crop which could mitigate some of the Queensland losses on a national basis," the report said.

Australia had largely completed its export program from the past harvest, Spellson said. A large percentage of this year's crop had been forward sold by growers to merchants, he said.

Output may more than double to 894,000 metric tons in 2010-2011 compared with 387,000 tons last season, the Australian Bureau of Agricultural and Resource Economics and Sciences said in a report Dec. 7. The forecast equals 3.9 million bales of 227 kilograms (500 pounds). The previous record was 819,000 tons in 2000-2001, according to the bureau.

Showers and drizzle are forecast for the Darling Downs region of Queensland through to Jan. 14, according to the Bureau of Meteorology.

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