

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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Brazil

Post:

Brasilia

Cotton and Products Update

Cotton Production and Yields Expected to Recover

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Report Highlights:

Post forecasts Brazil's 2016/17 cotton area at 940,000 hectares (ha), a two percent drop compared to the previous year. The planted area reduction is a result of the high cost of production, high cost to borrow money, and a difficult financial situation for many farmers after dealing with adverse weather conditions in the last few years. Exports are forecast to reach 3.2 million bales and domestic consumption is forecast at 3.0 million bales, a marginal growth compared to last year, as a result of a more positive economic outlook in Brazil.

Cotton	2014/2015		2015/2016		2016/2017	
Market Begin Year	Aug 2014		Aug 2015		Aug 2016	
Brazil	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	0	0	0	0	0	0
Area Harvested	1020	1020	955	955	930	940
Beginning Stocks	7668	7668	7532	7657	6159	6323
Production	7000	7000	5900	5900	6500	6700
Imports	24	24	91	100	100	30
MY Imports from U.S.	0	0	0	0	0	0
Total Supply	14692	14692	13523	13657	12759	13053
Exports	3910	3985	4314	4384	2900	3200
Use	3400	3200	3200	3100	3200	3200
Loss	-150	-150	-150	-150	-150	-150
Total Dom. Cons.	3250	3050	3050	2950	3050	3050
Ending Stocks*	7532	7657	6159	6323	6809	6803
Total Distribution	14692	14692	13523	13657	12759	13053

(1000 HA) ,1000 480 lb. Bales

USDA 2016/17 MY = August 2016 to July 2017

*Read the clarification about beginning/ending stocks estimates in narrative

PRODUCTION:

Post Maintains Planted Area and Production Forecasts for 2015/16

Post forecasts 2016/17 area planted to cotton at 940,000 hectares (ha), an area reduction of two percent compared to 2015/16. The reduction is due to concerns by producers of the high cost of production, higher interest rates, and difficulty accessing credit lines. Production is forecast to increase to 6.7 million bales (1.45 million metric tons), an increase of 12 percent higher compared to the 2015/16 season. This increase is a result of improved yields due to expected normal weather.

In the state of Bahia, the second largest cotton producing state, the area reduction will be about 17 percent compared to last year. The reduction in this area is driven by concerns of the high international stocks, affecting prices. In addition, the adverse weather conditions in the last few years have put cotton farmers in the region in a difficult financial situation.

In Mato Grosso, the largest cotton producing state, post forecasts a slight increase in planted area; however, producers are still making planting decision as the majority of the cotton crop in Mato Grosso will be harvest as a second crop, after the soybean harvest in January.

Table 1. Production Statistics by State

State	Area (HA)	Yield (MT/HA)	Production (MT)
Mato Grosso	630,000	1.550	976,500
Bahia	200,000	1.550	310,000
Mato Grosso Do Sul	29,500	1.650	48,675
Goiias	30,000	1.550	46,500
Others	50,500	1.450	73,225
Brazil	940,000	1.548	1,455,120

Table 2: Cotton Domestic Prices in cents of R\$ per lbs (2012-2016)

	2012	2013	2014	2015	2016	2015/2016 % Change
January	R\$170.76	R\$175.01	R\$220.82	R\$166.67	R\$243.30	31%
February	R\$170.23	R\$184.47	R\$225.60	R\$167.71	R\$256.17	35%
March	R\$161.17	R\$204.98	R\$218.89	R\$189.29	R\$243.50	22%
April	R\$160.44	R\$209.49	R\$207.20	R\$214.80	R\$253.29	15%
May	R\$160.07	R\$197.08	R\$193.55	R\$207.48	R\$267.33	22%
June	R\$151.16	R\$193.74	R\$189.63	R\$206.98	R\$266.77	22%
July	R\$157.56	R\$211.80	R\$180.53	R\$209.63	R\$258.02	19%
August	R\$162.06	R\$216.38	R\$167.08	R\$218.46	R\$255.45	15%
September	R\$165.19	R\$212.80	R\$167.28	R\$230.37	R\$248.15	7%
October	R\$155.21	R\$214.04	R\$164.30	R\$233.27	R\$250.19	7%
November	R\$155.49	R\$208.73	R\$163.93	R\$239.63		
December	R\$158.44	R\$212.46	R\$164.34	R\$243.15		

Source: Center for Advanced Studies in Applied Economics (CEPEA)

2015/16 Harvest Completed

For the 2015/16 crop, post estimates the harvested area at 955 ha based on new estimates by the Brazilian National Food Supply Company (CONAB). Production is estimated at 5.9 million bales (1.28 million MT). The drop in production was due to weather problems in the Center-West and Northeast. The dry and hot weather heavily impacted national yields, which were the lowest since the 2011/12 crop.

TRADE:

Brazilian Cotton Exports to Drop in MY 2016/17

Post forecasts cotton exports for MY 2016/17 at 3.2 million bales, a 37 percent reduction compared to the previous year. Despite the relative weak domestic consumption and the higher available cotton supplies in Brazil forecast for the MY 2016/17, lower foreign demand will impact Brazilian exports. In addition, the appreciation of the Brazilian Real of over 20 percent since July, has made Brazilian

cotton exports less competitive compared to MY 2015/16, which has also impacted the future contracts pace compared to MY 2015/16.

Table 3. Export Statistics

Brazil Export Statistics								
Commodity: Cotton, Group 55 (2012)								
Year Ending: July								
Partner Country	Unit	Quantity			% Share			% Change
		2014	2015	2016	2014	2015	2016	2016/2015
World	T	498,273	867,778	954,644	100.00	100.00	100.00	10.01
Vietnam	T	39,132	99,381	142,136	7.85	11.45	14.89	43.02
Indonesia	T	115,435	185,506	141,875	23.17	21.38	14.86	- 23.52
Korea South	T	97,303	95,659	123,983	19.53	11.02	12.99	29.61
Turkey	T	19,325	71,157	122,217	3.88	8.20	12.80	71.76
China	T	98,311	181,181	106,403	19.73	20.88	11.15	- 41.27
Malaysia	T	23,498	44,289	82,612	4.72	5.10	8.65	86.53
Pakistan	T	6,317	41,519	77,556	1.27	4.78	8.12	86.80
Thailand	T	26,049	43,398	47,072	5.23	5.00	4.93	8.46
Taiwan	T	36,761	36,877	32,414	7.38	4.25	3.40	- 12.10
Bangladesh	T	4,512	18,692	25,387	0.91	2.15	2.66	35.81
Japan	T	13,006	16,180	11,845	2.61	1.86	1.24	- 26.79

Source: Global Trade Atlas

Imports Forecast to Drop in 2016/17

Due to the recovery expected on domestic production for MY 2016/17 and weak domestic demand, imports for 2016/17 are forecast to drop to 50,000 bales (10,900 MT). For MY 2015/16, total Brazilian imports reached 100,600 bales (21,903 MT), an increase of 76 percent compared to the previous season due to domestic production issues.

Table 4. Import Statistics

Brazil Import Statistics								
Commodity: Cotton, Group 55 (2012)								
Year Ending: July								
Partner Country	Unit	Quantity			% Share			% Change
		2014	2015	2016	2014	2015	2016	2016/2015
World	T	33,875	5,322	21,903	100.00	100.00	100.00	311.55
United States	T	17,197	136	17,488	50.77	2.55	79.84	∞
Argentina	T	1,869	952	2,918	5.52	17.88	13.32	206.60
Egypt	T	1,376	850	1,005	4.06	15.98	4.59	18.25
Spain	T	89	270	376	0.26	5.08	1.72	39.10
Israel	T	164	206	91	0.48	3.87	0.42	- 55.54
Germany	T	-	23	25	0.00	0.44	0.11	4.61

Source: Global Trade Atlas

STOCKS:

Clarification About Beginning/Ending Stocks Estimates

The USDA official estimates as well as this report are based on an August-July Marketing Year (MY). For example, MY 2016/17 correlates with Northern Hemisphere countries and not Southern Hemisphere countries such as Brazil. Hence, USDA's beginning/ending stocks estimates capture Brazilian stocks mid-harvest on July 31st when they are at nearly their peak. This timing issue accounts for the relatively high stock levels and low volatility in stocks-to use typically reported by USDA and this report for Brazil.

As the main harvest in Brazil takes place in June, July, and August, stocks build dramatically as harvest progress outpaces domestic consumption and exports. Part of the reason for the inevitable buildup of USDA reported stocks is the structural delay between harvest and the shipment of exports. Ginning, consolidating, and transport to ports delays exports of new crop cotton initially and exports do not start in earnest until August.

CONSUMPTION:

Improved Economic Outlook for 2017 to Support Domestic Consumption

The unfavorable Brazilian economic scenario between 2015 and 2016 hurt the domestic textile industry. For MY 2015/16, post estimates consumption at 2.95 million bales (642,000 MT). However, expectations of improvements in the Brazilian economy for 2017 will start helping the sector with much needed domestic demand. Post forecast consumption for 2016/17 to increase to 3.05 million bales (664,000 MT).