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## **Brazil**

### **Cotton and Products Update**

#### **2011-12 Planted Area Expected to Remain Even with 2010-11**

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**Report Highlights:**

Post lowered 2010/11 Brazil's cotton production estimate from 9 million bales to 8.5 million bales a 5.5 percent decrease on 1.35 million hectares with the largest producing state of Mato Grosso harvesting lower yields due to the early onset of the dry season. The 2011/12 cotton planted area is now estimated to remain at 1.35 million hectares with production estimated at 8.75 million bales. Post now estimates Brazil's 2011/12 cotton exports at 3.7 million bales, an 85 percent increase over the 2 million bales exported in 2010/11. In addition, Post estimates Brazil's domestic 2011/12 consumption to remain flat at 4.35 million bales.

**Author Defined:**

**Production, Supply and Demand Statistics:**

Brazil Cotton (Local) 1000 HA and 1000 480 lb. Bales						
	2009/2010		2010/2011		2011/2012	
	Official Data	Post	Official Data	Post (a)	Official Data	Post (b)
Market Year Begin		08/2009		08/2010		08/2011
Area Planted	0	0		0		0
Area Harvested	836	836		1,350		1,350
Beginning Stocks	4,992	4,991		4,366		7,369
Production	5,450	5,465		8,500		8,750
Imports	151	150		703		50
MY Imports from U.S.	0	0		605		30
Total Supply	10,593	10,606		13,569		16,169
Exports	1,990	1,990		2,000		3,700
Use	4,400	4,400		4,350		4,350
Loss	-150	-150		-150		-150
Total Dom. Cons.	4,250	4,250		4,200		4,200
Ending Stocks	4,353	4,366		7,369		8,269
Total Distribution	10,593	10,606		13,569		16,169

**Brazil's 2010/11 cotton production reduced with early onset of the dry season**

Post lowered 2010/11 Brazil's cotton production from 9 million bales to 8.5 million bales a 5.5 percent decrease on 1.35 million hectares with the largest producing state of Mato Grosso harvesting lower yields due to the early onset of the dry season. This early onset of dry weather adversely affected the pod fill and boll weights with a lower fiber-to-seed ratio below 38 percent and 5.5 bales fiber equivalent/hectare on average. The state of Bahia has been harvesting excellent yields exceeding 6.8 bales fiber equivalent/hectare with the fiber-to-seed ratio around 40 percent.

**Brazil's 2011/12 cotton planted area steady and production to increase slightly**

The 2011/12 cotton planted area is now estimated to remain the same with 1.35 million hectares with production estimated at 8.75 million bales. The 2011/12 yield is expected to increase to 6.5 bales per hectare slightly over the 2010/11 yield of 6.3 bales per hectare based plantings occurring in preferred planting windows. This upcoming season is expected to see a reduction in the number of smaller producers, who opted to plant cotton last year amid historic high prices, and maintenance of large producer participants. These large producers are better capitalized and able to manage the high risk/return ratio associated with cotton production which costs three to four times as much as soybean per hectare depending on the location. Given the higher investment-to-profit risk in cotton production, trade sources confirm that a future sales price of cotton needs to be between \$1.10-\$1.15 per pound to make cotton production more attractive in 2011/12 than producing soybeans and corn.

The state of Mato Grosso, with 50 percent of national production, will continue to be the largest producing state and is expected to maintain or slightly reduce planted area. The 40:60 ratio of first-to-

second crop cotton planted area is predicated on the arrival of rains by mid-September. This will allow for the harvesting of early-maturing soybeans, followed by the planting of second crop cotton. The 2010/11 average cotton yields in Mato Grosso were reduced as a result of the late planting of the second crop cotton, which was carried out in the months of higher risk months of February and even into March. The late planting of the second crop was due to a three-week delay in the initial arrival of rains at beginning of the crop season. In addition, an increase in second-crop cotton planted area could occur should the U.S. dollar appreciate favorably relative the Brazilian real before January 2012. Any reduction in the 2011/12 planted area in Mato Grosso is expected to be offset by an increase in the planted area in the second largest producing state of Bahia. Bahia has harvested back-to-back seasons of excellent quality cotton (31 score) which has been received favorably by the international export market.

### **2011/12 Exports estimated to be a record 2.2 million bales**

Post now estimates Brazil's 2011/12 cotton exports at 3.7 million bales an 85 percent increase over the 2 million bales exported in 2010/11. Brazil's cotton exports last month (August) set a new monthly record of 537,000 bales, well above the monthly national export capacity that has averaged 460,000 bales per month.

### **2011/12 Consumption to remain flat under decreasing GDP growth estimates in key markets**

Post now estimates Brazil's domestic 2011/12 consumption to remain flat at 4.35 million bales. The Brazilian textile industry continues to be cash-strapped after weathering the historic price spikes early this year and unable to pass on in full the additional production costs to consumers. The 2011/12 demand outlook is weak given the economic slowdowns forecast in the United States and the European Union. In particular, the work wear sector has already seen a decrease in demand as firms conduct cost accounting and reduce the rate of issuing new work wear uniforms to employees. Trade sources also confirm that the Brazilian milling industry is experiencing overcapacity with 41-day stocks.

### **Other relevant reports:**

[BR0706 - 2011 Annual Cotton Report](#)