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Brazil

LOCK-UP REPORT

Cotton Planting Update

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Report Highlights:

Brazil 2009/10 cotton planted area is forecast at 800,000 hectares a 5 percent reduction from last year. However, tight world stocks and strong domestic demand point to a profitable 2010 harvest for producers. Narrow-row cotton production emerges as a viable second crop option with 50,000 hectares of planted area projected in 2009/10. Biotechnology adoption progresses with significant research and development of regionally specific cotton seed varieties.

Post:

Brasilia

Cotton production steady despite reduced planted area in 2009/10

Post now forecasts 2009/10 cotton area planted at 800,000 hectares and production at 5.5 million bales. Production for 2009/10 is expected to be maintained at 2008/09 levels with higher yields on a 5 percent reduced planted area. Post's forecast is in line with those of the Brazilian Food Supply Company (Conab) or the Brazilian Association of Cotton Producers (Abrapa). Conab's December survey projects 2009/10 cotton production at 5.5 million bales on 791,300 hectares with Abrapa's December forecast slightly lower at 5.4 million bales on 788,000 hectares.

Production, Supply and Demand Data Statistics

Brazil							
Cotton (Local)							
1000 HA and 1000 480 lb. Bales							
	2007/2008		2008/2009		2009/2010		% (b/a)
	Official Data	Post	Official Data	Post (a)	Official Data	Post (b)	
Market Year Begin		08/2007		08/2008		08/2009	
Area Planted	0	0	0	0	0	0	
Area Harvested	1,077	1,077	840	843	815	800	-5.1
Beginning Stocks	5,408	5,408	6,251	6,251	5,012	5,012	-19.8
Production	7,360	7,359	5,500	5,500	5,400	5,550	0.9
Imports	164	164	50	50	100	100	100.0
MY Imports from U.S.	0	100	0	0	0	0	
Total Supply	12,932	12,931	11,801	11,801	10,512	10,662	-9.7
Exports	2,231	2,231	2,739	2,739	1,900	2,000	-27.0
Use	4,600	4,600	4,200	4,200	4,200	4,350	0.0
Loss	-150	-150	-150	-150	-150	-150	0.0
Total Dom. Cons.	4,450	4,450	4,050	4,050	4,050	4,050	0.0
Ending Stocks	6,251	6,250	5,012	5,012	4,562	4,462	-8.0
Total Distribution	12,932	12,931	11,801	11,801	10,512	10,662	-9.7
Stock to Use %	92	91	72	72	75	74	2.8
Yield	1,488	1,488	1,426	1,421	1,443	1,510	6.3

Narrow-row cotton emerges as viable large-scale second "safrinha" crop

Narrow-row cotton planted area for 2009/10 could reach 50,000 hectares in Brazil expanding from 5,000 hectares in 2007/08 and 9,000 hectares in 2008/09. The Center-west state of Mato Grosso could

account for up to 40,000 hectares this year as a second short-season crop. This safrinha crop is planted between mid-January through March after early maturing soybeans are harvested. In Mato Grosso, narrow-row cotton is seeded on 45 cm row spacing at a rate 190,000 and 240,000 plants per hectare yielding 35 percent fiber from 16 bales of 480 pounds per hectare. Narrow row cotton reaches maturity in 135-150 days, at least 30 days earlier than long-cycle traditional cotton. Producers hope that production cost savings attained from at least one less application of agrochemicals will more than offset potential lower returns from reduced fiber yields and quality. However, the significant shortage in specialized harvesting equipment for narrow-row cotton will continue hamper yields and quality.

Tight world stocks and strong domestic demand signals profitability

Committed sales for 2009/10 and 2010/11 crops have exceeded 70 and 25 percent, respectively, reflecting strong demand pulls and supply needs. Favorable future prices point to a profitable 2010 harvest for producers.

Adoption of new biotech cotton seed aids positive outlook for 2010/11 and beyond

Brazil’s National Technical Commission of Biosafety (CTNBio) has so far approved five biotech cotton events; however, only two have been commercially released. The three remaining events will enter into the public domain with seed varieties as early as 2011. Commercially available biotech varieties do not provide Brazilian producers the necessary safeguards against regionally specific pests and disease. Robust research and development of regionally specific seed varieties, a two year process, promise improved yields and crop management in the near future. Producers also anticipate forthcoming benefits of double-stacked trait seed varieties; such as, insect resistant (Bt) and herbicide tolerant (RR).

Brazil Approved Biotechnology Events for Cotton

Crop	Trait Category	Applicant	Event	Trait Description	2009/10 Seed Availability
Bolgard Cotton	Insect Resistant	Monsanto	BCE 531	Lepidoptera Order	Ample
Bollgard II Cotton	Insect Resistant	Monsanto	MON 15985	Gossypium hirsutum L.	Not yet commercially available -2011

Wide Strike Cotton	Insect Resistant	Dow Agro-Science	281-24-236/3006-210-23	Gossypium hirsutum L. Herbicide glufosinate ammonium	Not yet commercially available -2011
Roundup Ready Cotton	Herbicide Tolerant	Monsanto	MON 1445	Gossypium hirsutum L. Glyphosate Herbicide	Not yet commercially available-2011
Liberty Link Cotton	Herbicide Tolerant	Bayer	LL Cotton 25	Gossypium hirsutum L. Glyphosate Herbicide Ammonium	Limited