

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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Brazil

Cotton and Products Update

Forecast Drop in 2012/13 Cotton Production Area, Exports, and Consumption

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Report Highlights:

Brazil's 2012/13 cotton production is now forecast at 6.3 million bales, down 25 percent from 2011/12 production now estimated at 8.5 million bales. Cotton planted area for 2012/13 is estimated to fall around 35 percent as record soybean futures prices drive acreage shifts to soybean production with higher comparable profitability. Post forecasts 2012/13 export at 4.1 million bales, down 15 percent from the 2011/12 record of 4.8 million bales. Post lowered Brazil's estimated domestic consumption to 3.75 million bales in 2012/13 from 3.85 in 2011/12 due to slow sector demand recovery and increased competition from imports of ready-made clothing.

Post:
Brasilia

Commodities:
Cotton

Cotton Brazil	2010/2011		2011/2012		2012/2013	
	Market Year Begin: Aug 2010		Market Year Begin: Aug 2011		Market Year Begin: Aug 2012	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	0	0	0	0	0	0
Area Harvested	1,400	1,400	1,400	1,400	1,050	950
Beginning Stocks	4,353	4,366	7,906	7,919	7,994	7,807
Production	9,000	9,000	8,700	8,500	6,750	6,300
Imports	703	703	30	30	50	30
MY Imports from U.S.	0	605	0	9	0	10
Total Supply	14,056	14,069	16,636	16,449	14,794	14,137
Exports	2,000	2,000	4,792	4,792	3,900	4,100
Use	4,300	4,300	4,000	4,000	4,250	3,900
Loss	-150	-150	-150	-150	-150	-150
Total Dom. Cons.	4,150	4,150	3,850	3,850	4,100	3,750
Ending Stocks	7,906	7,919	7,994	7,807	6,794	6,287
Total Distribution	14,056	14,069	16,636	16,449	14,794	14,137
1000 HA, 1000 480 lb. Bales, PERCENT, KG/HA						

Brazil's 2012/13 cotton production forecast falls to 6.3 million bales as producers shift area to soybeans

Brazil's 2012/13 cotton production is now forecast at 6.3 million bales, down 25 percent from 2011/12 production which is now estimated at 8.5 million bales. The 2012/13 area planted to cotton is forecast at 950,000 hectares, down 35 percent from 2011/12 as farmers shift to soybeans, which have higher potential returns. Harvesting and ginning of the 2011/12 crop have been atypical. The second largest producing state, Bahia, harvested over a month early as drought conditions sped up crop maturation and resulted in a 20 percent loss in production. Ginning in Bahia is expected to be completed by late September, over a month ahead of schedule. In contrast, the lead producing state of Mato Grosso received rains late into the growing season which delayed harvesting by a month. The harvest is presently nearing completion. The first crop cotton was adversely affected due to the late rains whereas the second crop cotton benefited and offset any first crop loss. Ginning in Mato Grosso is expected to continue into December. Mato Grosso, accounting for 50 percent of national production, is now expected to have a 30:70 ratio of first-to-second crop cotton planted area in the 2012/13 season. First crop cotton planting begins in December and is mainly planted in 90 centimeter (cm) spaced rows. The second crop cotton is planted in either 76 or 45 cm spaced rows in January and early February following the harvest of early maturing soybeans. Narrow-row cotton planting in 45-50 cm spaced rows is expected to remain a viable option for large-scale producers as part of their crop rotation and should occupy 80,000 - 100,000 hectares of planted area in Mato Grosso in 2012/13. Bahia is ranked second and is responsible for over 30 percent of national production. Cotton remains a favorable high risk-reward crop for large producers and groups as it generates income allowing growers to pay off large investments and to support the other crops, mainly soybeans and corn, being produced on a rotational basis. In addition, the soil management requirements demanded for successful cotton production pay dividends through increased yields experienced in alternate crop plantings of soybeans and corn in rotational years. It is estimated that farmers can reduce their fertilizer costs by up to 30 percent when

planting soybeans in areas previously planted to cotton, which is an additional factor contributing to the large shift from cotton to soybean planted area in 2012/13.

Brazil's textile industry seeks safeguard measures against increasing imports

Post now forecasts 2012/13 domestic consumption to remain flat at 3.85 million bales. Brazil's use of cotton, domestically produced or imported, as a percentage of overall fiber usage is 50 percent high than the world average of 35 percent. However, the Brazilian textile industry continues to face competition from increased imports and has solicited the Government of Brazil (GOB) to impose safeguard measures in the form of quotas on 60 products that represent 82 percent of imported clothing items. The GOB is analyzing this request received on August 22 from the Association of the Brazilian Textile Industry (ABIT) in the context of its World Trade Organization commitments. At the end of 2011, ABIT had submitted a proposal to change the current ad valorem applied duties on such products to ad rem duties (that is, set on the basis of U.S. dollars per kilogram). However, this proposal was not adopted. Brazil currently applies duties on textile imports at its World Trade Organization (WTO) bound rate of 35 percent. Between 2006 and 2008, the GOB had negotiated an informal agreement with China that established quotas across eight product categories, three of which were clothing.

2012/13 Brazil cotton exports forecast to remain strong at 4.1 million bales

Post forecasts 2012/13 export at 4.1 million bales, down 15 percent from the 2011/12 record of 4.8 million bales. Brazil's exports of cotton have been sustained at high levels due to the depreciation of the Real, which has lost 30 percent of its value over the last year (R\$2.00 = US\$1.00). 2012/13 imports are estimated to remain even with 2011/12 at 30,000 bales and mainly limited to textile manufacturers with rights to duty drawback under re-export. In past years, the temporary removal of import duties has been granted during short crops. Increased opportunities for significant imports of cotton into the Brazilian market are predicated on such a temporary removal.