Brazilian Cotton Outlook

U.S. Department of Agriculture
Foreign Agricultural Service

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Presentation Outline

- Evolution of the Cotton Sector
- Cotton Outlook
- Looking Ahead…
Evolution of the Cotton Sector
Cotton Area on the Move....

Planted Area in 1996/97

Planted Area in 2006/07
... and Today is Concentrated in Two States

MT and BA Plant 87 Percent of Total Area

Hectares (in thousands)


PR/SP/MG/GO  MT  BA
Planted Area in 2015/16

MT - 61% of total area

BA – 26% of total area

Legenda
Somente Municípios que produzem acima de 100 t

Fonte: Conab/IBGE
Technology Investments Improving Yields

Intro of Biotech Varieties

<table>
<thead>
<tr>
<th>Year</th>
<th>Area (in thousands)</th>
<th>Yield (KGs/HA)</th>
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1995/96 |                     |               |
1996/97 |                     |               |
1997/98 |                     |               |
1998/99 |                     |               |
1999/00 |                     |               |
2000/01 |                     |               |
2001/02 |                     |               |
2002/03 |                     |               |
2003/04 |                     |               |
2004/05 |                     |               |
2005/06 |                     |               |
2006/07 |                     |               |
2007/08 |                     |               |
2008/09 |                     |               |
2009/10 |                     |               |
2010/11 |                     |               |
2011/12 |                     |               |
2012/13 |                     |               |
2013/14 |                     |               |
2014/15 |                     |               |
2015/16 |                     |               |
Characteristics of the Sector

- Entrepreneurial
- Large areas (> 500 ha)
- Professional farmers and groups, partnership w/ ginners and textile companies
- Capital intensive and favors economies of scales
- Mechanized harvest
- High technology in production and processing
- High yields (1.4 - 1.5 mt/ha)
- Second-crop cotton now a factor
# Cotton Calendar – Planting and Harvesting

<table>
<thead>
<tr>
<th>UF/Região</th>
<th>22/09 a 21/12</th>
<th>21/12 a 20/03</th>
<th>20/03 a 21/06</th>
<th>21/06 a 22/09</th>
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<tbody>
<tr>
<td></td>
<td>Primavera</td>
<td>Verão</td>
<td>Outono</td>
<td>Inverno</td>
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<td></td>
<td>Out</td>
<td>Nov</td>
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<tr>
<td>BA</td>
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- **Planting** indicated by green color
- **Harvest** indicated by yellow color
Cotton Outlook
World Prices Continue to Drift Sideways…

Monthly Average Cotton Prices

Source: FAS/USDA
While Brazilian Prices Move Up
(Monthly Average)

Followed A-Index trend

Departure from A-Index trend
.... Real depreciated 42 percent

Source: CEPEA
2015/16 Cotton Outlook

Brazil:
- Area – 950,000 ha (-7%)
- Production – 1.50 mmt (-4%)
- Exports – 875,000 mt (+8%)
- Consumption 675,000 mt (-9%)
2016/17 Cotton Outlook

Brazil:
- Area – 970,000 ha (+2%)
- Production – 1.54 mmt (+3%)
- Exports – 900,000 mt (+3%)
- Consumption - 690,000 mt (+2%)
Trade Dynamics in Brazil

**Brazil Major Export Markets in 2015**
- **Vietnam**: 16%
- **Indonesia**: 16%
- **China**: 13%
- **Korea South**: 12%
- **Turkey**: 11%
- **Malaysia**: 10%
- **ROW**: 16%
- **Pakistan**: 6%
- **Brazil**

**Brazil Cotton Exports by Year and Destination**

Source: GTA
Looking Ahead…
USDA Baseline Projections for Brazilian Cotton Production

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<tbody>
<tr>
<td>Production (in thousands)</td>
<td>1,524</td>
<td>1,634</td>
<td>1,755</td>
<td>1,833</td>
<td>1,929</td>
<td>2,035</td>
<td>2,131</td>
<td>2,220</td>
<td>2,304</td>
<td>2,388</td>
<td>2,474</td>
</tr>
</tbody>
</table>
… but There Are Challenges to Keep in Mind

- Quality
- Competition from other fibers
- High cost of production
- Pest control (Bicudo/Boll weevil)
- Brazil’s infrastructure
Improving Quality and Grading Standards
Dealing with the Bicudo/Boll Weevil
Brazilian Roads
Thank You.

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