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Cotton and Products

Annual

2000

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Report Highlights:

MY 2000/01 (Aug- Jul) Brazilian cotton production is forecast at 600,000 MT, up 3 percent from revised estimate for MY 1999/2000, due to expected increase in planted area as well as projected good yields. Cotton consumption is forecast at 910,000 MT for MY 2000/01, up 50,000 MT from revised figure for current season. Brazilian cotton consumption increased during 1999 and initial months of 2000 due to lower imports of cotton yarn and fabrics and higher activity of Brazilian textile companies, in both the domestic and export markets. Cotton import forecast for MY 2000/01 is 250,000 MT, down 20,000 MT from unchanged import estimate for current season.

Includes PSD changes: Yes
Includes Trade Matrix: Yes
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TABLE OF CONTENTS

Executive Summary	2
Statistical Tables	2
Cotton Fiber	4
Production	4
General	4
Crop Area	5
Yields	5
Costs of Production	6
Policy	6
Producers' Prices	7
Consumption	8
Prices	9
Trade	9
Exports	9
Imports	10
Stocks	11
Policy	11
Value Added Cotton	12
Production	12
Consumption	13
Trade	13
Exports	13
Imports	15
Policy	16
Exchange Rate	17

Executive Summary

ATO/São Paulo forecasts total marketing year (MY) 2000/01 (Aug-Jul) Brazilian cotton production at 600,000 metric tons (MT), lint cotton, up 3 percent from revised estimate for MY 1999/2000 (585,000 MT), due to expected increase in area planted to cotton, as well as projected good yields for the current crop. Cotton consumption forecast for MY 2000/01 is 910,000 MT, up 50,000 MT from the revised current season figure. Brazilian cotton consumption increased during 1999 and the initial months of 2000 due to increased domestic cotton production; lower imports of cotton yarns and fabrics, resulting from the devaluation of local currency, the Real, and higher activity of Brazilian textile companies in the domestic and export yarn, fabric and apparel markets. The MY 2001/00 cotton import forecast is 250,000 MT, down 20,000 from the unchanged ATO/São Paulo 1999/2000 import estimate.

Statistical Tables

PSD Table						
Country	Brazil					
Commodity	Cotton				(HECTARES)(MT)	
	Revised	1998	Preliminary	1999	Forecast	2000
	Old	New	Old	New	Old	New
Market Year Begin		08/1998		08/1999		08/2000
Area Planted	0	685000	0	715000	0	785000
Area Harvested	685000	685000	695000	715000	0	785000
Beginning Stocks	323542	345600	314833	313226	380151	298226
Production	457226	457226	566089	585000	0	600000
Imports	296108	296300	348362	270000	0	250000
TOTAL SUPPLY	1076876	1099126	1229284	1168226	380151	1148226
Exports	0	5900	0	10000	0	20000
USE Dom. Consumption	762043	780000	849134	860000	0	910000
Loss Dom. Consumption	0	0	0	0	0	0
TOTAL Dom. Consumption	762043	780000	849134	860000	0	910000
Ending Stocks	314833	313226	380151	298226	0	218226
TOTAL DISTRIBUTION	1076876	1099126	1229285	1168226	0	1148226

Import Trade Matrix			
Country	Brazil		
Commodity	Cotton		
Time period	Aug-Mar	Units:	Metric Tons
Imports for:	1998		1999
U.S.	4,661	U.S.	17,434
Others		Others	
Argentina	66,507	Argentina	49,530
Paraguay	33,829	Paraguay	38,838
Benin	21,359	Benin	22,448
Ivory Coast	9,847	Ivory Coast	16,717
Mali	7,480	Mali	13,350
Uzbekistan	24,619	Uzbekistan	11,313
Togo	7,853	Togo	10,485
Cameroon	3,000	Cameroon	3,200
Netherlands	0	Netherlands	3,003
Egypt	682	Egypt	1,686
Total for Others	175,176		170,570
Others not Listed	19,419		10,946
Grand Total	199,256		198,950

Prices Table			
Country	Brazil		
Commodity	Cotton		
Prices in	R\$ cents	per uom	pound
Year	1998	1999	% Change
Jan	81.35	100.09	23.04%
Feb	75.32	112.25	49.03%
Mar	71.61	94.56	32.05%
Apr	73.99	86.59	17.03%
May	77.35	89.88	16.19%
Jun	78.90	88.21	11.81%
Jul	74.27	91.23	22.83%
Aug	73.25	92.87	26.78%
Sep	74.06	91.43	23.44%
Oct	77.28	91.26	18.08%
Nov	80.35	98.64	22.77%
Dec	82.84	100.38	21.17%
Exchange Rate	1.8	Local currency/US \$	

Cotton Fiber

Production

General

ATO/São Paulo forecasts total MY 2000/01 (Aug-Jul) Brazilian cotton production at 600,000 MT, lint cotton, up 3 percent from revised estimate for MY 1999/2000 crop, due to an expected increase in area planted to cotton, as well as projected good yields for the current crop.

The MY 1999/2000 Brazilian cotton production estimate has been revised upward to 585,000 MT, a 7 percent increase compared to the previous projection, due to updated trade information. Yield estimates for the states of Mato Grosso and Goiás are higher than previously expected. Moreover, area planted to cotton for the north-northeastern (NNE) states, other than Bahia, has been adjusted upward based on recent information from industry contacts, thus increasing production potential for those areas. The table below shows area planted to cotton, yields and a production breakdown by state and region for MY 1998/99 and 1999/2000.

Cotton Area, Production and Yield by State/Region (1,000 HA, 1,000 MT lint cotton, MT/HA).						
State/Region	MY 1998/99			MY 1999/00		
	Area	Production	Yield	Area	Production	Yield
Center-South	195	121	0.621	160	119	0.744
Parana	50	37	0.740	55	42	0.764
São Paulo	75	52	0.693	60	45	0.750
Minas Gerais	70	32	0.457	45	32	0.711
Center-West	340	293	0.862	370	386	1.043
Mato Grosso Sul	50	37	0.740	45	36	0.800
Mato Grosso	190	184	0.968	245	280	1.143
Goiás	100	72	0.720	80	70	0.875
North-Northeast	150	43	0.287	185	80	0.432
Bahia	65	20	0.308	60	40	0.667
Others	85	23	0.271	125	40	0.320
Grand Total	685	457	0.667	715	585	0.818

Below average rainfall at the beginning of the planting season slowed operations and, consequently, delayed the harvest season. According to trade sources approximately 80 percent of the area planted to cotton has already been harvested in the states of Parana, São Paulo, and Mato Grosso do Sul, and about 70 percent for the states of Goiás and Minas Gerais. The harvest has just begun in the states of Mato Grosso and Bahia. The quality of the fiber, thus far, is considered better than good according to trade sources. Good weather through much of the season and a lack of rainfall during harvest has contributed to fiber quality.

According to the official April 2000 Ministry of Agriculture, National Supply Company (CONAB) crop estimate, total 1999/2000 Brazilian cotton production is 647,500 MT, lint cotton, from an area planted of

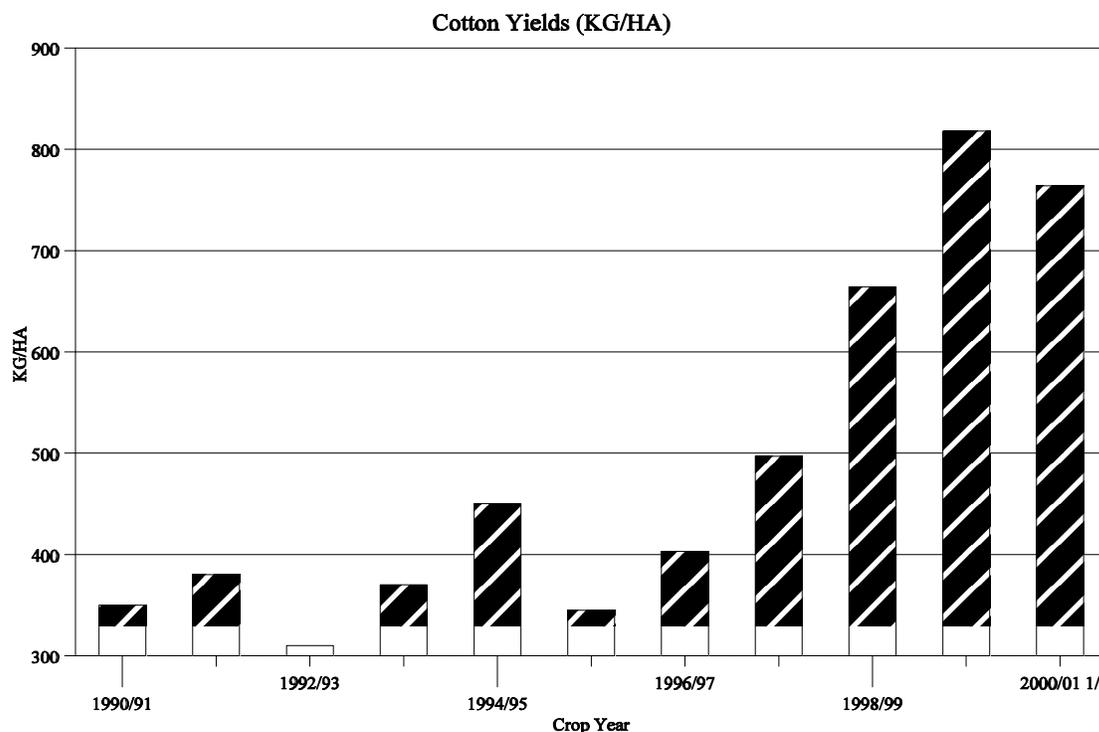
805,600 hectares (HA). These figures represent a 16 percent increase in area planted to cotton and a 24.5 percent increase in production compared to previous crop. CONAB will conduct a field survey in July to review the 1999/2000 crop estimate.

Crop Area

The MY 1999/2000 area planted to cotton estimate has been revised to 715,000 HA., up 30,000 HA. from the previous estimate and from last season, due to an increase in area planted to cotton in the NNE states, other than Bahia. Cotton area for MY 2000/01 is forecast at 785,000 HA., up 10 percent from the current season. Producers are likely to be encouraged by good yields this season and favorable domestic prices, vis-à-vis, soybeans, corn and rice. In addition, many producers in the center-western (CW) states and Bahia have invested in infra-structure for cotton production over the past couple of years, thus reducing assets available for alternative crops.

Yields

Good weather conditions and the use of high production seeds and mechanization raised MY 1999/2000 cotton yield expectations to 818 kilograms (KG) per HA., lint cotton, up 23 percent from the previous crop. NNE states, most notably Bahia, should realize good average yield improvement relative to previous years. The western Bahia region of Barreiras, where the geography and weather conditions are similar to those of highly productivity CW states, has become the major producing area. Cotton yields for MY 2000/01 are forecast at 764 KG/HA., down 6 percent from the current crop, assuming average weather conditions.



1/ Forecast

Costs of Production

According to data provided by the Parana State Department of Agriculture (SEAB/DERAL), production costs in dollar terms for MY 1999/2000 (April 2000) have increased 6 percent compared to MY 1998/99 (April 1999). Labor costs increased 9 percent and represent 29 percent of total production costs for non-mechanized harvest. In Real (R\$) terms, the local currency, total production costs increased approximately 15 percent from April 1999 to April 2000. The table below shows cotton production costs for the state of Parana.

Estimated Production Costs (Parana State, US\$/HA, US\$/MT).				
Item	1997	1998	1999	2000
Implement Costs	116.75	108.42	81.88	92.38
Labor (Temp)	295.59	288.46	199.98	218.76
Seed	24.90	23.60	20.06	25.86
Fertilizer	74.29	59.38	58.65	54.58
Agro-Chemicals	81.15	81.51	86.64	83.43
General Costs	12.45	11.85	9.38	9.97
Transport (off-farm)	15.08	14.97	10.13	11.02
Technical Assistance	12.71	12.10	9.57	10.17
PROAGRO (crop insurance)	41.42	23.03	18.21	19.38
Financing Cost	35.86	26.05	19.71	20.77
TOTAL VARIABLE COST	710.20	649.37	514.21	546.32
Depreciation and Land Improvement	103.78	96.41	71.15	72.89
Capital repayment	67.34	60.60	44.40	45.5
Insurance, duties & taxes	9.35	8.30	6.02	6.22
Labor (fixed)	72.71	70.37	52.77	56.46
Land repayment	37.48	36.17	24.01	25.14
TOTAL FIXED COST	290.66	271.85	198.35	206.21
TOTAL COST	1,000.86	921.22	712.56	752.53
Yield (MT/HA)	1.80	1.84	1.84	1.84
Ave. Variable Cost	394.56	351.96	278.70	296.11
Ave. Total Cost	556.03	499.31	386.21	407.88
Source: Parana State Dept. of Agriculture (SEAB/DERAL)				
Note: April 1997, May, 1998, April, 1999, April 2000.				

Policy

As reported by CONAB, 8,725 option contracts (12.75 MT of lint cotton per contract) were negotiated during the 1998/99 crop, representing approximately 72 percent of total contracts offered to producers. According to this program, cotton producers were eligible to buy the option to sell their product to the Brazilian Government (GOB) and guarantee a price for their crop, if market prices were not attractive. Cotton prices were set at approximately R\$ 31 per 15 KG of lint cotton. The total premium paid by producers acquiring the option contracts through the auction system was R\$ 2.492 million.

The minimum support price for 1999/2000 cotton crop is set at R\$ 8.00/15 KG of seed cotton and R\$ 28.60 per 15 KG of lint cotton as of February 2000 for the Center-South states and southern Bahia. These figures represent a R\$ 1.00 and a R\$ 4.10 increase for seed cotton and lint cotton compared to previous crop, respectively. CONAB has not yet released minimum support prices for the NNE.

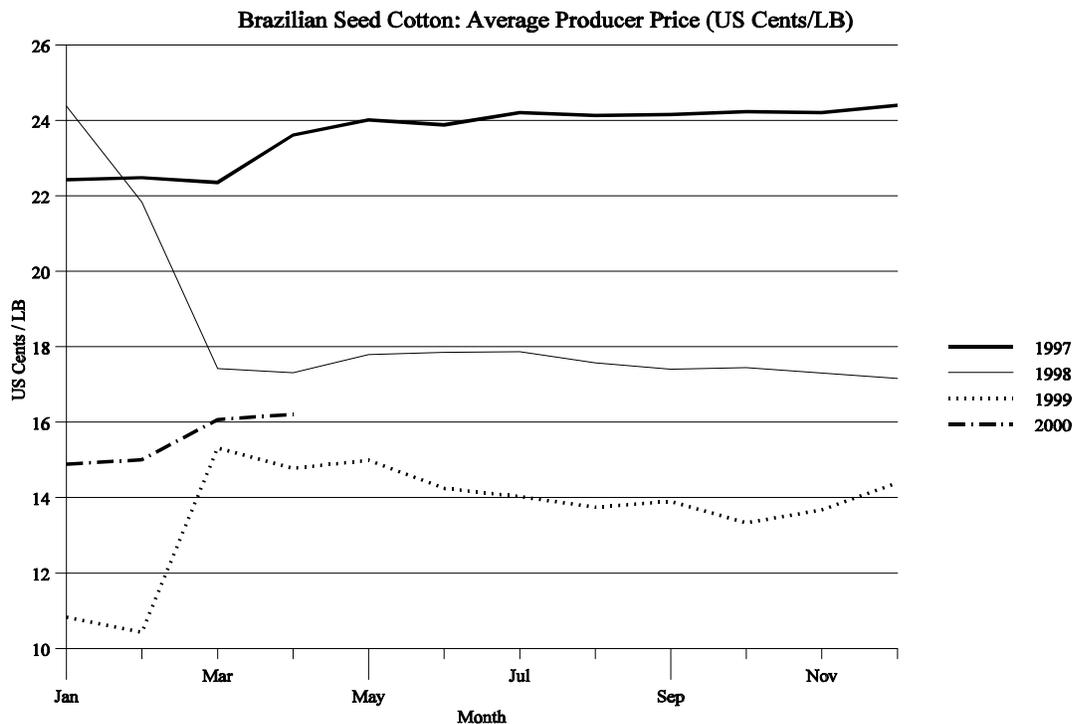
In order to support the market of the 1999/2000 crop, cotton producers will be eligible for up to approximately R\$ 684.5 million (US\$ 380 million) in marketing loans from the GOB. About 44 percent of this amount will be available for the option contract program. Option contracts have been sold through an auction system since April. Contract expiration dates are August and September. The GOB has set a total of 142,000 MT of lint cotton to be potentially marketed through option contracts.

An additional 9 percent will be through the Production Distribution Program (“Programa de Escoamento da Produção” – PEP) which can potentially market 150,000 MT of lint cotton. Approximately R\$ 60 million are available for the program. According to the rules of the program, the GOB pays the difference between the reference price (minimum support price) and the market price through an auction system whenever the reference price is higher than the market price.

About R\$ 266.9 million, 39 percent of total marketing loans, will be available for the Federal Government Loan Program (“Emprestimos do Governo Federal”- EGF), while R\$ 9.5 million, 1.5 percent of total, will be available to fund the Federal Government Acquisition Program (“Aquisição do Governo Federal”- AGF).

Producers’ Prices

Average seed cotton prices for Parana, provided by the State Department of Agriculture, are indicated in the following graph.



Source: Parana State Dept. of Agriculture (SEAB/DERAL)

Consumption

ATO/São Paulo forecasts Brazilian cotton consumption for MY 2000/01 at 910,000 MT, lint cotton, up 50,000 MT from the revised figure for MY 1999/2000 (860,000 MT). Brazilian domestic consumption estimate for MY 1998/99 has already been revised upward to 780,000 MT, lint cotton, to reflect 1999 textile industry performance.

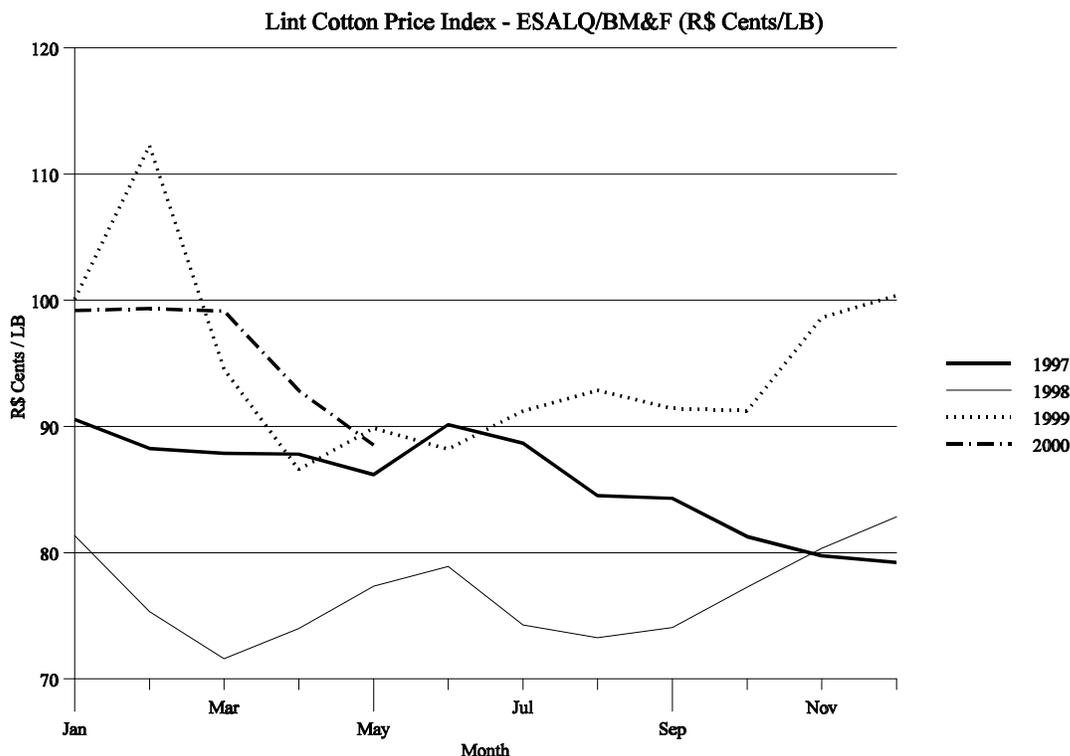
Brazilian cotton consumption increased during 1999 and the initial months of 2000, due to increased domestic cotton production, lower imports of cotton yarns and fabrics as a result of the devaluation of the Real (R\$), and higher Brazilian textile industry activity in the domestic and export yarn, fabric and apparel markets.

The expected recovery of the Brazilian economy, as noted by a projected 4 percent growth in the Brazilian Gross Domestic Product (GDP) for 2000, the anticipated cold weather during the June/September 2000 period, and the forecast increase in sales of cotton products (yarn and fabrics) to export markets should also leverage domestic cotton consumption. Many textile companies have adopted a four-shifts-a-day operation system as a consequence of increased demand for cotton products. Many have been operating at full capacity. Some companies have also increased the percentage of cotton yarn in their fabrics, another factor increasing cotton demand.

According to the Brazilian Textile Industry Association (ABIT), total cotton consumption for 1998 and 1999 are estimated at 782,900 and 815,000 MT, lint cotton, respectively.

Prices

The graph below shows the monthly Lint Cotton Price Index released by the College of Agriculture “Luiz de Queiroz” (ESALQ) to set prices for cotton contracts at the Commodity Exchange (BM&F). The index is based on aggregate prices from almost all Brazilian producing and consuming regions from cotton producers, ginners, brokers and textile companies. Note that the steady prices since November 1999 (off-season) dropped as of April 2000 due to the harvest of the current crop.



Source: ESALQ/CEPEA

Trade

Exports

MY 1998/99 and 1999/2000 cotton exports are estimated at 5,900 and 10,000 MT, lint cotton, respectively, based on recent information from trade sources. The Brazilian Secretariat of Foreign Trade (SECEX) estimates cotton exports for CY 1999 at 3,850 MT, lint cotton. Exports for MY 1999/2000 (Aug-Mar) are estimated at 2,444 MT, while exports for the same period of previous marketing year are 3,658 MT.

Imports

The ATO/São Paulo estimate for MY 1999/2000 Brazilian cotton imports remains unchanged at 270,000 MT, lint cotton. Cotton imports for MY 2000/01 are forecast at 250,000 MT, down 7 percent from the previous season. Expected lower cotton imports are due to the expected increase in domestic production and higher prices for the imported product since the devaluation of Real.

According to SECEX, Brazilian imports for CY 1999 are estimated at 278,306 MT, lint cotton. Cotton imports for MY 1999/2000 (Aug-Mar) are estimated at 198,950 MT, quite similar to imports for the same period the previous MY. MY 1999/2000 (Aug-Mar) cotton imports from the U.S., however, are 17,434 MT, up 12,700 MT from the same period last season. The tables below show cotton imports by country of origin for CY 1999 and MY 1998/99 and 1999/2000 (Aug-Mar)

Brazilian Cotton Imports: NCM 5201.00.10 (MT & US\$ 1,000 FOB)						
Destination	CY 1999		MY 1998/1999 1/		MY 1999/2000 1/	
	Quantity	Value	Quantity	Value	Quantity	Value
Argentina	700	1,178	1,532	2,544	100	167
Uzbekistan	--	--	250	353	--	--
Paraguay	--	--	150	225	--	--
Greece	1,177	1,570	1,177	1,570	--	--
Togo	--	--	432	662	--	--
Total	1,877	2,748	3,542	5,352	100	167

Source: Brazilian Secretariat of Foreign Trade (SECEX).
1/ August to March.

Brazilian Cotton Imports: NCM 5201.00.20 (MT & US\$ 1,000 FOB)						
Destination	CY 1999		MY 1998/1999 1/		MY 1999/2000 1/	
	Quantity	Value	Quantity	Value	Quantity	Value
Argentina	60,360	66,455	27,733	39,192	33,745	34,794
Paraguay	12,231	16,275	10,878	17,062	15,048	18,333
Benin	14,278	18,872	5,559	8,525	6,146	7,427
Mali	3,622	4,798	2,980	4,443	5,000	5,969
United States	580	590	1,039	1,529	4,764	4,160
Togo	6,130	8,588	2,000	3,288	4,035	5,575
Ivory Coast	4,499	6,883	5,449	8,355	3,549	4,211
Uzbekistan	3,249	4,748	4,889	6,365	1,000	1,426
Tajikistan	--	--	--	--	908	1,018
Bolivia	213	209	--	--	213	209
Israel	200	395	90	175	200	398
Others	2,487	3,216	2,873	4,307	379	420
Total	107,849	131,029	63,490	93,240	74,988	83,940

Source: Brazilian Secretariat of Foreign Trade (SECEX).
1/ August to March.

Brazilian Cotton Imports: NCM 5201.00.90 (MT & US\$ 1,000 FOB)

Destination	CY 1999		MY 1998/1999 1/		MY 1999/2000 1/	
	Quantity	Value	Quantity	Value	Quantity	Value
Paraguay	36,996	50,551	22,801	34,795	23,690	29,475
Benin	24,165	34,687	15,801	25,085	16,301	21,620
Argentina	41,242	47,766	37,242	50,561	15,784	16,636
Ivory Coast	9,297	12,603	4,398	6,800	13,169	15,399
United States	2,938	4,915	3,622	6,050	12,670	11,640
Uzbekistan	12,827	16,717	19,480	28,296	10,314	12,276
Mali	3,975	4,818	4,500	7,383	8,350	8,801
Togo	11,221	14,802	5,421	7,208	6,450	8,489
Cameroon	3,200	3,457	3,000	4,916	3,200	3,457
Netherlands	--	--	--	--	3,003	3,167
Egypt	2,289	5,255	682	1,618	1,686	3,719
Others	20,427	28,108	15,279	24,172	9,246	10,956
Total	168,580	223,678	132,225	196,885	123,863	145,634

Source: Brazilian Secretariat of Foreign Trade (SECEX).
1/ August to March.

Stocks

The ATO/São Paulo estimates for ending cotton stocks for MY 1998/99 and 1999/2000 have been revised downward to 313,000 and 298,000 MT, lint cotton, respectively. In spite of the increase in production, revised domestic consumption for both years has lowered carry-out stocks. ATO/São Paulo forecasts MY 2000/01 ending stocks at 218,000 MT, lint cotton, down 80,000 MT from the previous season due to the expected increase in consumption and reduced imports.

On March 31, CONAB completed the program to sell GOB lint cotton stocks. Textile companies purchased 70,973 MT of lint cotton, approximately 79 percent of total beginning GOB stocks, at an average price of US 49.23 cents per pound. Current GOB lint cotton stocks are 18,781 MT.

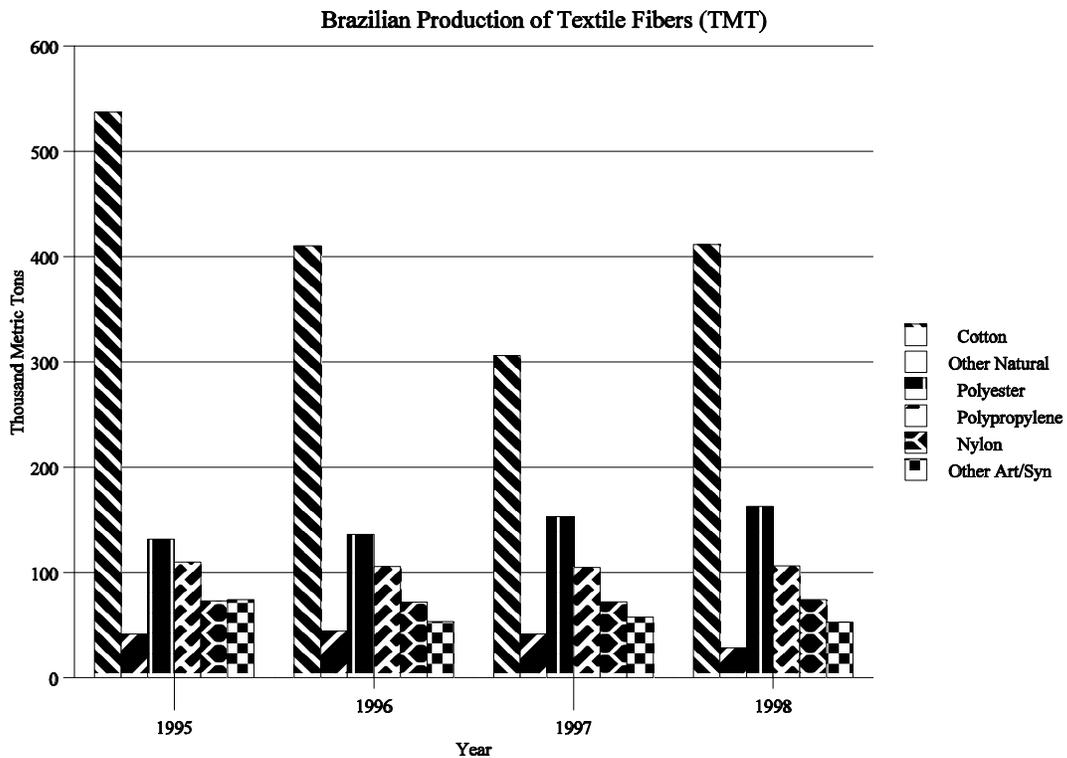
Policy

According to a GOB decree announced on December 30, 1998, the Common External Tariff (TEC) applied to imported cotton (NCM 5201.00.10, 5201.00.20 and 5201.00.90) for 2000 is 8 percent. The import tariff should be reduced to 6 percent by year 2001.

Value Added Cotton

Production

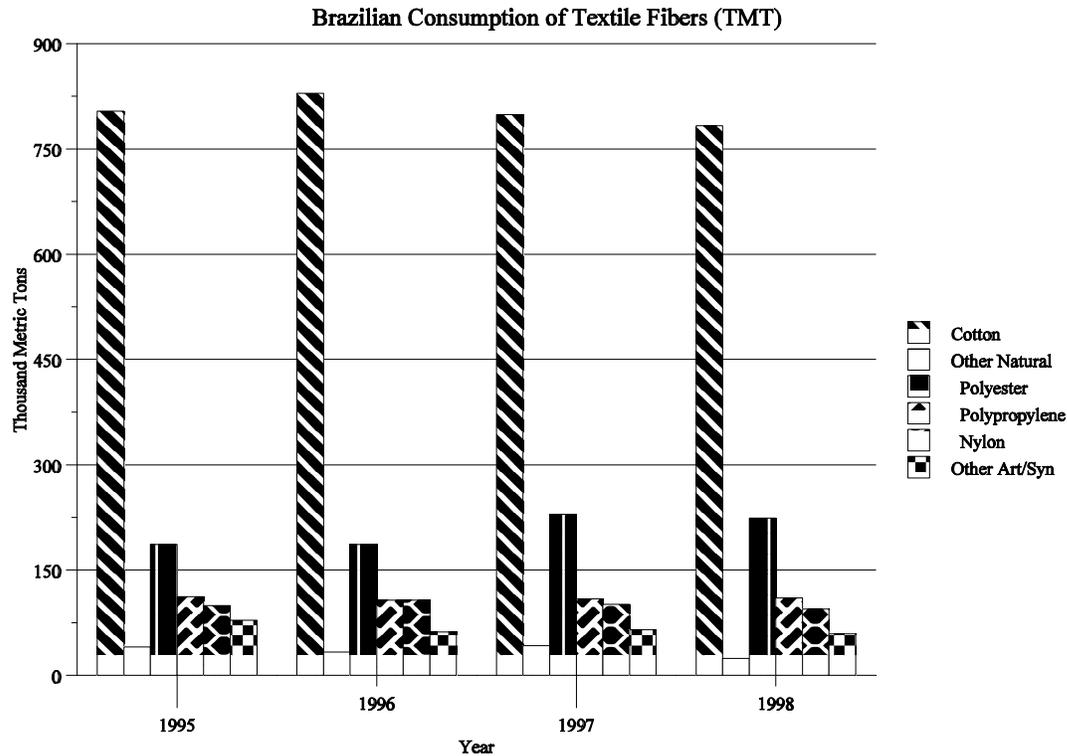
The Brazilian Textile Industry Association (ABIT) has not yet released its estimate for domestic production of all textile fibers for Calendar Year (CY) 1999. The graph below indicates production data for CY 1993 to 1998.



Source: Brailian Textile Industry Assn (ABIT)

Consumption

ABIT has not yet released its estimate for domestic consumption of all textile fibers for CY 1999. The graph below indicates consumption data for CY 1993 to 1998.



Source: Brazilian Textile Industry Assn (ABIT)

Trade

Exports

Brazilian exports of textile products, as reported by ABIT, are as follows.

Brazilian Export of Textile Products (tons, US\$ 1,000 FOB).				
Product	1998		1999 1/	
	Quantity	Value	Quantity	Value
Textile Fibers	59,442	75,658	55,852	59,837
Nylon	207	607	113	303
Polyester	2,438	3,276	4,014	3,772
Acrylic	333	484	203	185
Viscose	2,223	3,707	3,560	4,342
Acetate	3,827	15,405	4,399	16,863

Wool/hair/tops	9,062	22,716	7,330	14,703
Linen	673	535	90	112
Ramie	0	0	0	0
Cotton	3,666	4,657	4,674	5,318
Jute	0	0	0	0
Sisal	34,043	14,850	28,174	9,573
Other	2,970	9,420	3,296	4,666
Yarns	18,853	118,781	27,660	125,706
Silk	1,788	56,529	1,792	50,098
Wool/hair	98	883	56	509
Cotton	10,748	39,450	16,008	46,382
Linen	79	676	144	1,670
Ramie	0	0	0	0
Artif/Synthetic	4,642	19,662	7,455	24,888
Jute	0	1	0	0
Other	1,498	1,580	2,206	2,160
Artif/Synt.Filaments	11,364	55,555	10,277	42,937
Nylon	5,676	21819.3	6384.3	19,698
Polyester	2,629	10997.2	1109.8	4,823
Viscose	1,508	7950.2	1444.8	6,253
Acetate	8	20.4	81.3	416
Polyurethane	643	9400.4	189.9	3,177
Other	902	5367.5	1067.1	8,571
Fabrics	46,252	242,851	43,700	201,759
Silk	0	13.3	2.5	108
Wool/hair	255	7323.9	237.3	7,048
Cotton	40,162	184647.6	37768.5	150,806
Linen	464	7042.6	261.2	5,030
Ramie	17	274.1	5.6	48
Jute	0	0.4	0.1	0
Artif/Synthetic	3,170	18979.1	3303	16,866
Knitting	2,184	24570.1	2121.3	21,852
Other	0	0	0.2	0
Garments	37,076	411,143	41,318	398,152
Other	95,674	208,870	90,128	181,441
Grand Total	268,662	1,112,858	268,934	1,009,832
Source: ABIT.				
1/ Preliminary.				

Imports

Brazilian imports of textile products, as reported by ABIT, are shown below.

Brazilian Imports of Textile Products (tons, US\$ 1,000 FOB).				
Product	1998		1999 1/	
	Quantity	Value	Quantity	Value
Textile Fibers	398,963	644,852	343,856	450,561
Nylon	921	3,710	671	3,544
Polyester	23,162	29,902	27,612	30,379
Acrylic	5,981	9,610	10,092	11,547
Viscose	1,256	2,802	1,034	2,066
Acetate	7,347	27,384	1,712	6,253
Wool/hair/tops	2,361	6,386	1,464	5,145
Linen	3,043	6,547	4,425	8,966
Ramie	178	701	216	823
Cotton	339,074	532,319	281,882	359,699
Jute	5,533	2,854	5,601	1,773
Sisal	0	3	3	9
Other	10,108	22,634	9,142	20,357
Yarns	26,196	87,188	28,898	69,687
Silk	28	29	1	32
Wool/hair	198	2,775	345	3,996
Cotton	11,338	41,524	6,938	25,314
Linen	124	1,181	84	866
Ramie	0	0	0	0
Artif/Synthetic	12,028	39,323	18,777	37,419
Jute	2,381	1,862	2,704	1,903
Other	100	494	49	159
Artif/Synt.Filaments	81,494	295,702	115,288	291,256
Nylon	25,006	109,455	23,162	88,429
Polyester	42,697	92,440	69,315	113,278
Viscose	390	1,740	128	686
Acetate	2,449	11,073	1,931	7,993
Polyurethane	3,168	60,058	3,114	53,890
Other	7,784	20,936	17,639	26,980
Fabrics	41,090	251,414	44,660	207,037
Silk	55	2,748	48	2,023

Wool/hair	533	12,186	547	10,787
Cotton	5,628	34,447	3,226	17,506
Linen	97	902	94	530
Ramie	0	0	0	0
Jute	146	140	216	175
Artif/Synthetic	25,094	155,416	27,999	129,909
Knitting	9,279	44,509	12,306	44,857
Other	257	1,066	223	1,250
Garments	40,338	352,950	25,821	186,674
Other	53,820	290,664	54,652	235,754
Grand Total	641,900	1,922,769	613,174	1,440,968
Source: ABIT. 1/ Preliminary.				

Policy

The common external tariffs (TEC) for value-added cotton, follow.

Common External Tariffs (Value Added Cotton).	
Description	%
Cotton, Carded or Combed	11
Threads, Yarns	17
Yarns for retail sale	19
Fabrics	21
Apparel	23

Exchange Rate

Exchange Rate (R\$/US\$1.00 - official rate, last day of period)				
Month	1997	1998	1999	2000
January	1.05	1.12	1.92	1.80
February	1.05	1.13	2.03	1.77
March	1.06	1.14	1.77	1.75
April	1.06	1.14	1.66	1.81
May	1.07	1.15	1.72	1.82
June	1.08	1.16	1.77	--
July	1.08	1.16	1.79	--
August	1.09	1.18	1.81	--
September	1.10	1.19	1.92	--
October	1.10	1.19	1.95	--
November	1.11	1.20	1.92	--
December	1.12	1.21	1.79	--

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