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Brazil

Cotton and Products

Cotton Outlook 2003/2004

2003

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Report Highlights:

This report updates Brazilian cotton supply and demand for MY 2001/02 and 2002/03 and projects cotton area and production for MY 2003/04.

Includes PSD changes: Yes
Includes Trade Matrix: No
Unscheduled Report
Sao Paulo [BR3], BR

Executive Summary

As requested per FAS WASHDC 58709. See Production.

PS&D TABLE

| PSD Table Brazil | | | | | | |
|------------------------|----------|---------|----------|---------|----------|---------|
| | MY 00/01 | | MY 01/02 | | MY 02/03 | |
| | Old | New | Old | New | Old | New |
| Area Planted | 853000 | 853000 | 756100 | 741900 | 756000 | 715400 |
| Area Harvested | 853000 | 853000 | 756100 | 741900 | 756000 | 715400 |
| Beginning Stocks | 360926 | 360926 | 452650 | 452672 | 272050 | 264490 |
| Production | 899000 | 899000 | 769400 | 763600 | 769500 | 784400 |
| Imports | 131216 | 131238 | 60000 | 54977 | 160000 | 60000 |
| TOTAL SUPPLY | 1391142 | 1391164 | 1282050 | 1271249 | 1201550 | 1108890 |
| Exports | 68492 | 68492 | 150000 | 146759 | 80000 | 140000 |
| USE Dom. Consumption | 870000 | 870000 | 860000 | 830000 | 860000 | 830000 |
| Loss Dom. Consumption | 0 | 0 | 0 | 0 | 0 | 0 |
| TOTAL Dom. Consumption | 870000 | 870000 | 860000 | 860000 | 860000 | 830000 |
| Ending Stocks | 452650 | 452672 | 272050 | 264490 | 261550 | 138890 |
| TOTAL DISTRIBUTION | 1391142 | 1391164 | 1282050 | 1271249 | 1201550 | 1108890 |

Production

Agricultural Trade Office (ATO)/Sao Paulo estimates Brazil's marketing year (MY) 2002/03 (August-July) cotton production at 784,400 metric tons (mt), lint cotton, up 3 percent from MY 2001/02 revised figure (763,600 mt), assuming that producers use adequate technology, follow good crop management practices and regular weather conditions prevail during crop development and harvest. The planting season was somewhat delayed in Bahia and center-western states due to irregular rainfall.

Cotton area for MY 2002/03 is projected at 715,400 hectares (ha.), down almost 4 percent from revised figure for previous crop (741,900 ha.), according to information provided by the National Supply Company (CONAB) of the Ministry of Agriculture, Livestock and Supply (MAPA). Major factors that contributed to reduce the Brazilian cotton area are:

- (1) increased MY 2001/02 world cotton carry-over stocks (10.15 million mt) as a consequence of higher world production (21.4 million mt) followed by a modest increase in world consumption (20.6 million mt), therefore depressing cotton prices both in international and domestic markets;
- (2) improved soybean vis-à-vis cotton prices as of July 2002, which led producers to increase soybean area as opposed to cotton. Cotton producers in center-western states moved to some extent to soybean production as it offers lower production costs, better current and (expected) future prices and higher marketing liquidity compared to cotton.

The table below shows estimated planted area, production and yields by state and region for MY 2001/02 and 20002/03.

| Cotton Area, Production and Yield by State/Region (ha; mt lint cotton, kg/ha) | | | | | | |
|---|--------|------------|-----------|--------|------------|-----------|
| | | MY 2001/02 | | | MY 2002/03 | |
| | Area | Production | Yield | Area | Production | Yield |
| Parana | 36100 | 29700 | 822.71468 | 29300 | 25000 | 853.24232 |
| Sao Paulo | 61500 | 57900 | 941.46341 | 59900 | 56500 | 943.23873 |
| Minas Gerais | 38000 | 31000 | 815.78947 | 36300 | 29600 | 815.427 |
| Mato Grosso Sul | 45500 | 62500 | 1373.6264 | 46800 | 65500 | 1399.5726 |
| Mato Grosso | 310000 | 388000 | 1251.6129 | 287800 | 390000 | 1355.1077 |
| Goiias | 93300 | 103500 | 1109.3248 | 93400 | 108500 | 1161.6702 |
| Bahia | 70000 | 70000 | 1000 | 77900 | 87500 | 1123.2349 |
| N-NE | 87500 | 21000 | 240 | 84000 | 21800 | 259.52381 |
| Total | 741900 | 763600 | 1029.2492 | 715400 | 784400 | 1096.4495 |
| Source: ATO/Sao Paulo | | | | | | |

Outlook for 2003/04

ATO/Sao Paulo forecasts Brazilian cotton area for MY 2003/04 (August-July) at 751,000 ha., up 5 percent from the current estimate for MY 2002/03, with an expectation of continued strengthened cotton prices both in international and domestic markets during 2003. The most apparent counterweight would be continued strong soybean prices vis-à-vis cotton prices during 2003 and increased world cotton supply projections which together could potentially offset the upward trend in area planted to cotton. Projected reduced world cotton carry over stocks for MY 2002/03 (8.3 million mt) will also likely encourage cotton planting for the out-year. In addition, many producers currently base part of their planting intentions on export markets and, according to post contacts, some contracts have already been set for MY 2003/04. The steady devaluation of the local currency, the Real, contributes to such forward contracting.

MY 2003/04 Brazilian cotton production is projected at 823,000 mt, lint cotton, up 5 percent from the current projection for the MY 2002/03 crop, assuming favorable weather conditions during cotton planting, development and harvest. Note that out-year projection also incorporates factors such as the continued use of higher producing varieties and adequate technology applied to the crop.

Consumption

ATO/Sao Paulo revised the domestic cotton consumption estimates for MY 2001/02 and 2002/03 to 835,000 and 830,000 mt, lint cotton, respectively, based on information provided by CONAB and post contacts. CONAB estimates domestic consumption for 2001 and 2002 at 865,000 and 815,000 mt, respectively. According to the Brazilian Textile Industry Association (ABIT), domestic cotton consumption for calendar year (CY) 2001 is 872,000 mt. ABIT has not released an estimate for domestic CY 2002 cotton fiber consumption. Major factors that could explain lower cotton consumption by textile mills for 2002 are the steady devaluation of the local currency meaning additional costs for the imported fiber, macroeconomics and some jitters as a result of the Presidential election in October 2002, as well as decreased consumer purchasing due to higher inflation rates not followed by salary readjustments.

Trade

Brazilian cotton imports for MY 2001/02 (August-July) are estimated at 54,977 mt, lint cotton, based on official Brazilian Department of Foreign Trade (SECEX) information, down 76,261 mt compared to the same period for MY 2000/01. Cotton imports for MY 2002/03 (August-July) are estimated at 31,785 mt. Cotton exports for MY 2001/02 (August-July) are estimated at 146,759 mt, lint cotton, according to SECEX, up 78,267 mt relative to the same period for MY 2000/01. Cotton exports for MY 2002/03 (August-December) are estimated at 69,128 mt. Note that a significant part of MY 2002/03 cotton exports are 2002 crop.

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