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## **Report Name:** Cotton and Products Update

**Country:** Brazil

**Post:** Brasilia

**Report Category:** Cotton and Products

**Prepared By:** Nicole Podesta

**Approved By:** Joseph Degreenia

### **Report Highlights:**

In 2024, Brazil surpassed the United States in cotton production and exports for the first time on record. Brazil's MY2024/25 planted area is also estimated to reach a new record. Favorable prices compared to corn as well as lower production costs have boosted cotton's profitability, making it the preferred choice for second crop planting. MY2024/25 domestic consumption is estimated by Post at 3.2 million bales (697 thousand MT), with exports forecasted at 12.6 million bales (2.7 MMT) due to higher global imports and consumption and reduced production in India. Post forecasts ending stocks at 4.6 million bales (about 1 MMT) in MY 2023/24, largely due to high exports.

## INTRODUCTION

As announced in the October 2023 ‘[World Agricultural Production](#)’ and ‘[Cotton: World Markets and Trade](#)’ reports, USDA has revised Brazil’s historical cotton production time series. Area, production and yields numbers dating back to marketing year (MY) 2000/01 shifted one year ahead.

USDA official estimates for Brazil’s area and production now reflect the calendar year (CY) harvest for the first listed year of the split (e.g. 2024 for 2024/25) – instead of the previous method of using the next calendar year’s harvest (in this case, 2025 for 2024/25). As such, MY 2024/25 area, production and yield estimates now refer to cotton currently being harvest and entering the market in 2024. In Brazil, MY 2024/25 production estimates are often referred to as season 2023/24 (as harvesting will happen during 2024).

These changes aimed to better align with the timing of the cotton harvest and exports in Brazil and provide better estimates of Brazil’s ending stocks. No changes were made to historical consumption or export estimates.

### Figure 1:

#### **Equivalence between USDA’s revised MY timings for area, production, yield, consumption and trade, and Brazil’s MY**

*Equivalence between USDA’s revised MY timings for area, production, yield, consumption and trade, and Brazil’s MY*

<b>PS&amp;D Attributes</b>	<b>USDA’s MY</b>	<b>is equivalent to Brazil’s season</b>
Area, production, yield	2024/25 (Aug – Jul)	2023/24 (Aug – Jul)
	2023/24 (Aug – Jul)	2022/23 (Aug – Jul)
Consumption, trade	2024/25 (Aug – Jul)	2024/25(Aug – Jul)
	2023/23 (Aug – Jul)	2023/23 (Aug – Jul)

*Source: Post Brasilia (Office of Agricultural Affairs – OAA).*

Over the last 25 years, a large proportion of cotton production in Brazil has shifted geographically. For the revised MY 2023/24, roughly 70 percent of cotton production was cultivated in the state of Mato Grosso where it is largely grown as a second crop following soybean harvest. The geographic shift in cotton production from the Southeast to the Center-West has resulted in a shift in the timing of the cotton harvest.

Harvesting of cotton in Mato Grosso typically takes place between June and September and thus crosses over two of USDA’s August-July marketing years. Ginning and classing add further delays to the

utilization of the crop, pushing it well into the latter August-July period, which justifies the recent methodological change for production, area and ending stocks estimates since 2000/01. For a detailed explanation, please see [USDA October's Cotton: World Markets and Trade](#) and [USDA October's World Agricultural Production](#).

## AREA

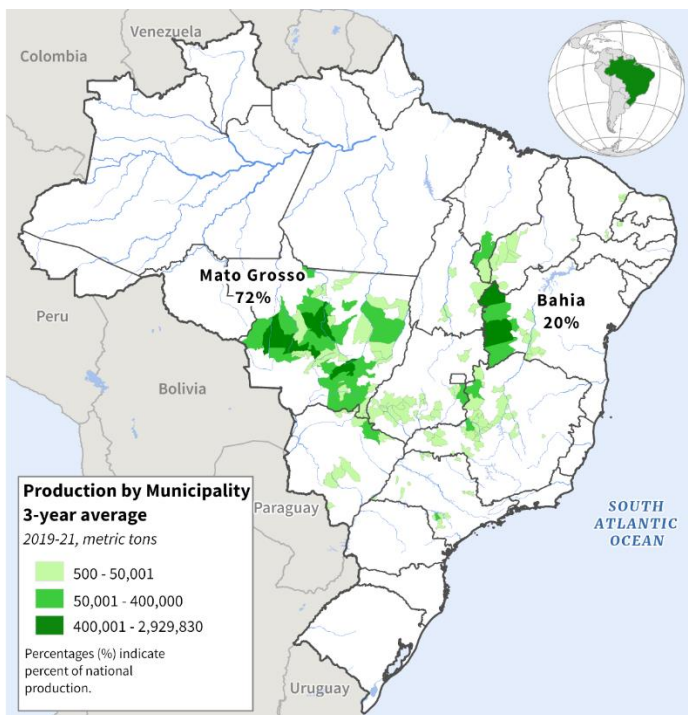
### *Planted area forecast to a new record for MY 2024/25*

Post raised its forecast for MY 2024/25 (equivalent to Brazil's 2023/24 harvest season) cotton area planted to 1.97 million ha, above the previous record planted area in MY 2020/21. This represents a significant increase of 18 percent from the previous MY.

The planted area increase has been largely driven by area expansion in Mato Grosso and Bahia, which account for nearly 91 percent of Brazil's cotton output. The area expansion in Mato Grosso is largely attributed to favorable commercial conditions when compared to corn, especially in terms of price and production costs. Cotton prices, while not optimal, have been outperforming those of corn and production costs have reduced, making cotton more profitable and therefore, more favorable to plant as a second crop.

### Figure 2:

#### Brazil Cotton Production Map



Source: Brazil's Institute of Geography and Statistics (IBGE). Chart elaborated by: [USDA Foreign Agriculture Service \(FAS\)](#).

Cotton area in Brazil has fluctuated over the past three decades. Planting decisions are influenced by cotton price in domestic markets and internationally, expected profit margins for producers, costs of production and competition for land with corn, particularly in the agricultural powerhouse state of Mato Grosso. For example, when fertilizer prices spiked, cotton was impacted significantly as it is highly input-dependent. Planted area stagnated, and is now picking up again that production costs are lower and prices, as well as weather, has been favorable.

## PRODUCTION AND YIELD

### *Production to reach a record high volume of 16.9 million bales in MY 2024/25*

Post revised up its production forecast to 16.9 million bales (3.7 MMT), representing a 13 percent increase when compared to the previous MY. Since weather conditions were less than ideal, yields will not be as high as the previous season's record. However, the area increase should help to compensate production volume.

**Mato Grosso:** By the end of September, cotton fields finished harvesting in Mato Grosso, the main cotton-producing state in Brazil. Imea, the Mato Grosso Institute of Agriculture Economics, reported a total cultivated area of 1.46 million hectares, an increase of 21.57% compared to that recorded in the 2023/24 harvest. As pointed out previously, the main factor contributing to this increase was the better profitability of cotton in relation to other second-harvest crops, especially corn. Yields were lower than that recorded in the 2023/24 harvest, due to weather conditions. Mato Grosso was hot and dry, with some areas suffering more than others. The state had 17.5 thousand fire outbreaks recorded, compared to nearby Goiás and Mato Grosso do Sul, which had 2.8 thousand and 1.8 thousand outbreaks, respectively. However, timing of rain was sufficient for crop development and the cotton being processed has been good quality.

**Bahia:** The cotton harvest in Bahia for MY 2024/25 was officially completed by mid-September. Total area planted was 345,431 hectares, of which 247,609 hectares were non-irrigated and 97,821 hectares were irrigated areas. The harvest began in May and was concentrated in the western region, which accounted for 98% of the planted area, with 339,721 hectares. In the southwest, 5,710 hectares were planted, mostly in non-irrigated areas. At the end of the harvest, the average yield was slightly lower than the previous crop, but still above expectations, considering less-than-ideal weather conditions. The beginning of the planting season faced irregular rainfall due to El Niño. However, rainfall normalized in following months, helping the crop to develop. Overall, quality of this year's cotton crop is expected to be much better than last year.

With the crop fully harvested, key producing states entered a period known as *vazio sanitário*, in Portuguese, which encompasses around 60 to 90 days between the end of harvest and the next sowing

season. During this period, remaining cotton plants are removed and destroyed as a way to control pests and diseases, particularly boll weevil. For the two main cotton producing states, the *vazio sanitário* period will range between September/October and November/December, mostly, with sowing progressing between late 2024 and January 2025. More details in the Table 3 below.

In São Paulo and Paraná, planting for the next season began in November. In Bahia, planting is expected to start by the end of November.

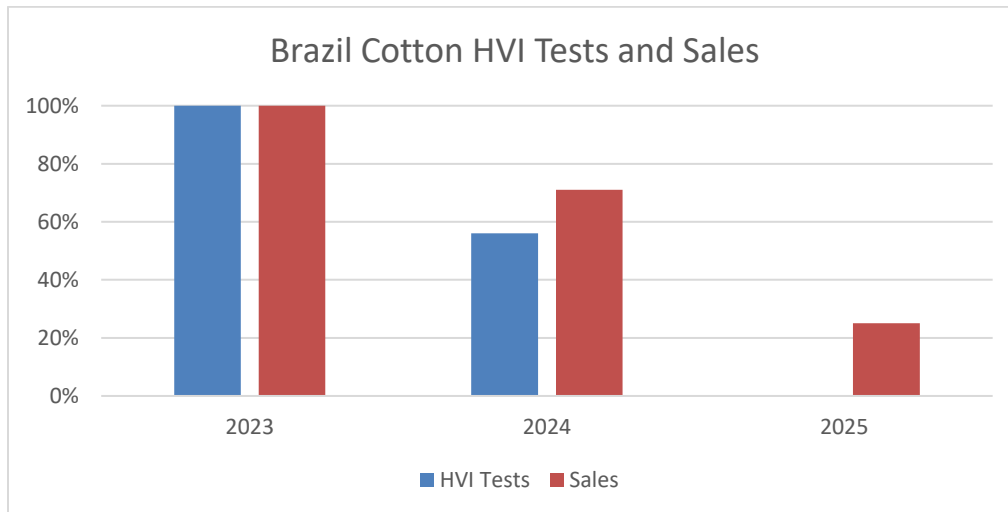
## **CONSUMPTION**

For MY2024/25, Post revised down its domestic consumption forecast to 3.2 million bales (697 thousand MT), only slightly above the MY2023/24 estimate. Brazil's domestic industry remains almost exclusively supplied by national production. Domestic consumption (i.e. cotton processed into textile or non-textile products) is influenced by Brazil's economic performance, inflation outlook and national household financial capacity. For MY 2024/25, like MY2023/24, robust external demand and favorable prices incentivize continued exports. Therefore, domestic consumption is expected to remain stagnant.

Post contacts have reported two important trends that may affect Brazil's domestic consumption in the future: international competition and synthetic fibers. Foreign e-commerce shopping platforms (e.g. Shopee, Shein, Aliexpress, etc) compete with Brazilian producers in different clothing/fashion segments by offering low-cost products, mostly exported from Asia. Also, cotton prices, higher than that of other materials, incentivize manufacturers to switch to synthetic fibers. When prices eventually return to acceptable levels, industries might not necessarily switch back to natural fibers, as synthetic products (e.g. polyester) may have sufficed the production needs at a lower cost.

The 2023/24 harvest has concluded in Brazil, with an estimated 77% of production already being processed and 75% having undergone quality analysis by HVI by October 7. The processing pace is similar to that of this period last year.

**Figure 3:**



Source: Abrapa. Chart elaborated by: Post Brasilia (Office of Agricultural Affairs – OAA).

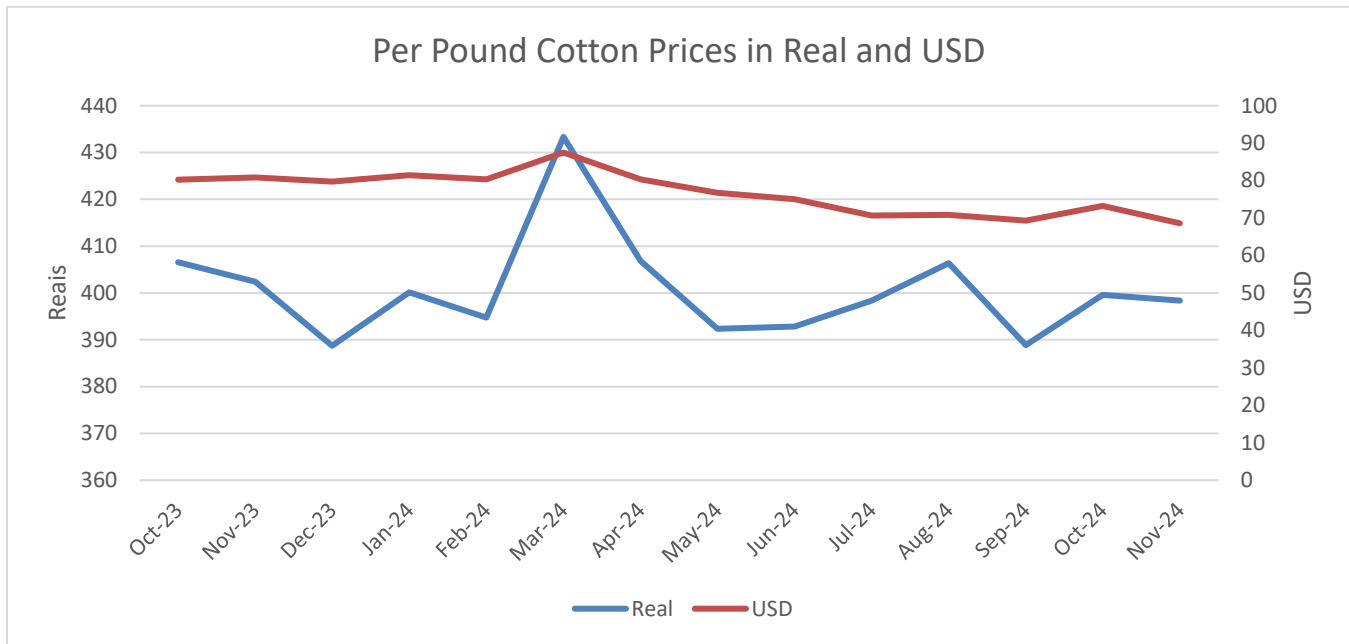
## PRICES

### *Cotton prices fall, but lower costs keep profits stable*

In November, cotton prices slipped but sales were active on the spot market. According to data released by the Cepea (Center for Advanced Studies in Applied Economics) newsletter, buyers have driven demand to meet immediate needs or reinforce stocks for the end of the year. However, prices continue to fall, mainly influenced by devaluation in the foreign market.

Despite the slight growth in domestic consumption, Cepea researchers emphasize that the surplus cotton supply is destined for the foreign market, keeping Brazil's exports at record levels.

**Figure 4:**



Source: IMEA. Chart elaborated by: Post Brasilia (Office of Agricultural Affairs – OAA).

Cotton is relatively better positioned than corn in terms of prices and production costs. This helps explain the increase in cotton area in Mato Grosso, where producers usually plant either cotton or corn as a second crop (*safrinha*) after soybean harvest.

Additionally, estimated production costs for the season to be sowed soon in the state show a more positive outlook for cotton than for corn, with a reduction in costs of fertilizers, pesticides, and post-production in Mato Grosso.

**Figure 5:****Cost of Production for Cotton in Mato Grosso**

Harvest	2021/22	2022/23	2023/24	Oct. 2024*
<b>A. Cost</b>	<b>43.14</b>	<b>61.12</b>	<b>53.48</b>	<b>42.20</b>
<b>1. Seeds</b>	<b>3.94</b>	<b>5.54</b>	<b>5.77</b>	<b>4.24</b>
<b>2. Fertilizers</b>	<b>16.09</b>	<b>25.87</b>	<b>18.58</b>	<b>16.66</b>
<b>3. Defensives</b>	<b>19.89</b>	<b>24.91</b>	<b>23.46</b>	<b>16.68</b>
<b>Fungicide</b>	3.46	4.15	5.44	3.70
<b>Herbicide</b>	2.66	4.50	3.95	2.78
<b>Insecticide</b>	11.22	13.40	11.09	7.19
<b>Others</b>	2.55	2.86	2.98	3.01
<b>4. Machinery</b>	<b>1.88</b>	<b>3.43</b>	<b>3.32</b>	<b>2.27</b>
<b>5. Tertiary Services</b>	<b>0.25</b>	<b>0.26</b>	<b>0.48</b>	<b>0.24</b>
<b>6. Labor</b>	<b>1.09</b>	<b>1.12</b>	<b>1.87</b>	<b>2.12</b>
<b>B. Maintenance</b>	<b>1.40</b>	<b>2.63</b>	<b>4.65</b>	<b>4.64</b>
<b>C. Taxes</b>	<b>1.82</b>	<b>1.83</b>	<b>2.12</b>	<b>2.08</b>
<b>D. Finances</b>	<b>1.87</b>	<b>2.55</b>	<b>3.49</b>	<b>3.17</b>
<b>E. Post-production</b>	<b>20.14</b>	<b>20.10</b>	<b>8.66</b>	<b>3.68</b>
<b>F. Other costs</b>	<b>0.54</b>	<b>0.59</b>	<b>0.75</b>	<b>0.83</b>
<b>G. Lease</b>	<b>0.98</b>	<b>1.57</b>	<b>1.57</b>	<b>1.12</b>
<b>COE (A + B + ... + F + G)</b>	<b>69.90</b>	<b>90.39</b>	<b>74.71</b>	<b>57.71</b>
<b>H. Depreciation</b>	<b>1.25</b>	<b>1.72</b>	<b>3.80</b>	<b>3.99</b>
<b>I. Family labor</b>	<b>0.12</b>	<b>0.13</b>	<b>0.11</b>	<b>0.11</b>
<b>COT (COE + H + I)</b>	<b>71.27</b>	<b>92.24</b>	<b>78.63</b>	<b>61.81</b>
<b>J. Opportunity Cost</b>	<b>5.76</b>	<b>6.24</b>	<b>9.86</b>	<b>7.27</b>
<b>CT (COT + J)</b>	<b>77.03</b>	<b>98.47</b>	<b>88.48</b>	<b>69.09</b>
<b>Exchange Rate (R\$/US\$)</b>	5.28	5.17	4.95	5.37
<b>Unit: ¢/lb.</b>				

Source: IMEA. Table translated and adjusted by: Post Brasilia (Office of Agricultural Affairs – OAA). Note: (\*) refers to IMEA's estimate for October 2024.



## TRADE

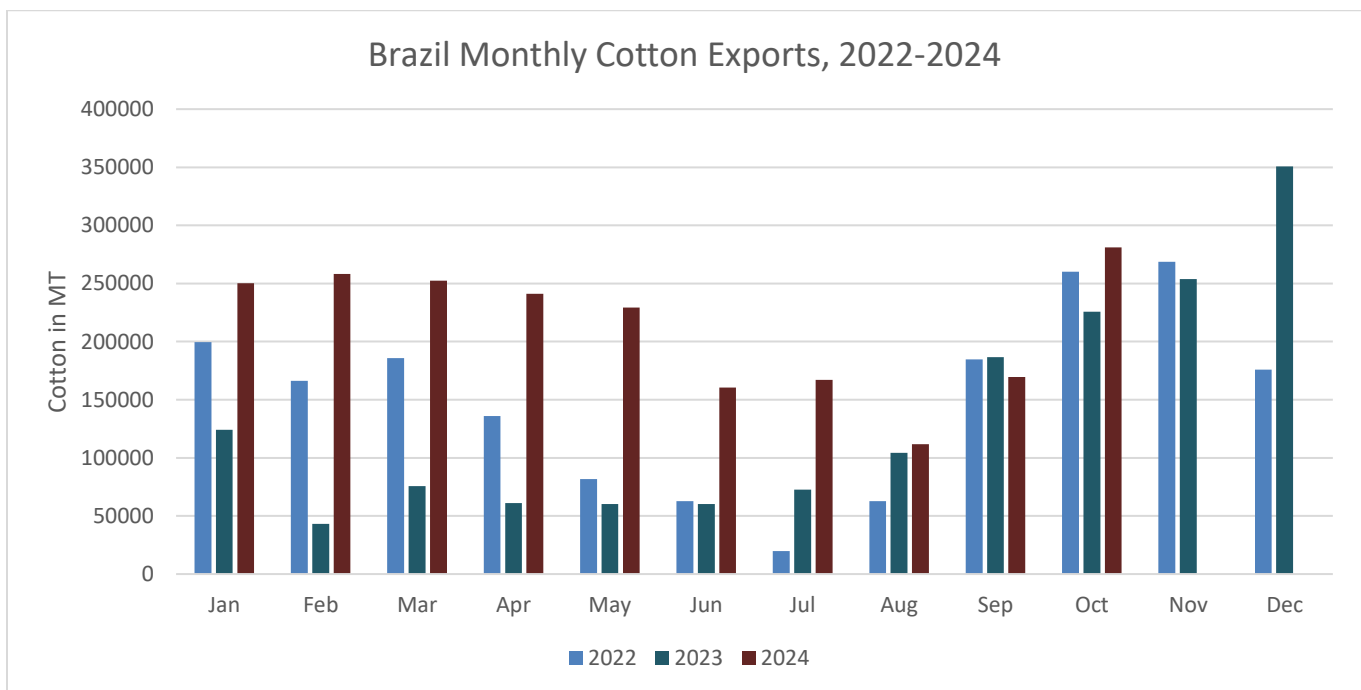
### *Brazil surpasses the United States with record exports*

For MY 2024/25, Post revised up its forecast for Brazil's cotton exports to 12.6 million bales (2.7 MMT). This increase is driven by a weaker Brazilian Real (R\$) compared to U.S. Dollar, higher global imports (led by China, Vietnam, Turkey, and Bangladesh) and consumption, and reduced production in India.

According to Brazil's Secretariat of International Trade (SECEX), in October 2024, Brazil exported 1.286 million bales (280 thousand MT), compared to 1.0 million bales (226 thousand MT) in October 2023. So far, Brazil has exported over 2.5 million bales (562 thousand MT) in MY 2024/25, above the amount for this period last year (2.4 million bales, or 517 thousand MT), and above the average exports of the previous five marketing years. Brazil's cotton exports year to date (i.e. January-October 2023) have reached 9.7 million bales (2.12 MMT).

### Figure 6:

#### Brazil's Cotton Exports



Source: SECEX. Chart elaborated by: Post Brasilia (Office of Agricultural Affairs – OAA).

So far in MY 2024/25, China remains Brazil's main cotton importer, having bought 674 thousand bales (147 thousand MT) since August 2024. However, this volume is less than half of August – October 2023, when China had imported 1.5 million bales (322 thousand MT). With China slowing its purchases of Brazilian cotton, other trading partners picked up the pace. Vietnam surged ahead, importing 312

thousand bales (68 thousand MT) in October, followed by strong showings from Pakistan, India, and Bangladesh.

As it passed the United States as the world's largest cotton exporter, Brazil has a massive trade surplus. Cotton imports are very minimal, and usually take place to either benefit from some sort of incentive in international markets, or to acquire higher quality cotton available at spot markets. Overall, imports are virtually negligible for Brazil's cotton balance sheet.

In terms of logistics, the Port of Santos, the largest in Latin America located in the state of São Paulo, is the main exporting route for approximately 97 percent of Brazil's cotton production as ports in the North Arc lack sufficient infrastructure capacity to operate container ships.

## **STOCKS**

Post forecasts ending stocks at 4.6 million bales (about 1 MMT) in MY 2024/25, largely due to high exports and stable domestic consumption volumes. The methodological change performed by USDA in Brazil's cotton balance sheet directly influenced this estimate, as the old production methodology inflated ending stocks by effectively placing the next calendar year's crop in the ending stocks number.

Although this methodological change has aligned Stock-to-Use numbers estimated by USDA's closer to CONAB's, it is noteworthy mentioning that both agencies' estimates are not the same, as differences in production numbers influence ending stocks, and consequently Stock-to-Use forecasts.

**Figure 7:**

**Production, Supply, and Distribution (PSD) in 480 lb. Bales**

<b>Cotton</b>	<b>2022/2023</b>		<b>2023/2024</b>		<b>2024/2025</b>	
	<b>Aug 2022</b>		<b>Aug 2023</b>		<b>Aug 2024</b>	
	<b>USDA Official</b>	<b>New Post</b>	<b>USDA Official</b>	<b>New Post</b>	<b>USDA Official</b>	<b>New Post</b>
<b>Market Year Begins</b>						
<b>Brazil</b>						
<b>Area Harvested</b> (1000 HA)	1600	1600	1660	1660	1940	1965
<b>Beginning Stocks</b> 1000 480 lb. Bales	2050	2050	4008	4008	3111	3495
<b>Production</b> 1000 480 lb. Bales	11720	11720	14570	14900	16800	16890
<b>Imports</b> 1000 480 lb. Bales	8	8	6	0	10	5
<b>Total Supply</b> 1000 480 lb. Bales	13778	13778	18584	18908	19921	20390
<b>Exports</b> 1000 480 lb. Bales	6656	6656	12310	12313	12300	12600
<b>Domestic Use</b> 1000 480 lb. Bales	3114	3114	3163	3100	3300	3200
<b>Loss</b> 1000 480 lb. Bales	0	0	0	0	0	0
<b>Domestic Use and Loss</b> 1000 480 lb. Bales	3114	3114	3163	3100	3300	3200
<b>Ending Stocks</b> 1000 480 lb. Bales	4008	4008	3111	3495	4321	4590
<b>Total Distribution</b> 1000 480 lb. Bales	13778	13778	18584	18908	19921	20390
<b>Stock to Use % (PERCENT)</b>	41.02	41.02	20.11	22.68	27.7	29.05
<b>Yield (KG/HA)</b>	1595	1595	1911	1948	1885	1871
(1000 HA) ,1000 480 lb. Bales ,(PERCENT) ,(KG/HA)						

**Figure 8:**

**Production, Supply, and Distribution (PSD) in Metric Tons (MT)**

<b>Cotton</b>	<b>2022/2023</b>		<b>2023/2024</b>		<b>2024/2025</b>	
<b>Market Begin Year</b>	<b>Aug 2022</b>		<b>Aug 2023</b>		<b>Aug 2024</b>	
<b>Brazil</b>	<b>USDA Official</b>	<b>New Post</b>	<b>USDA Official</b>	<b>New Post</b>	<b>USDA Official</b>	<b>New Post</b>
<b>Area Harvested (1000 HA)</b>	1600	1600	1660	1660	1940	1965
<b>Beginning Stocks (1000 MT)</b>	446	446	873	873	677	761
<b>Production (1000 MT)</b>	2552	2552	3172	3244	3658	3677
<b>Imports (1000 MT)</b>	2	2	1	0	2	1
<b>Total Supply (1000 MT)</b>	3000	3000	4046	4117	4337	4439
<b>Exports (1000 MT)</b>	1449	1449	2680	2681	2678	2743
<b>Domestic Use (1000 MT)</b>	678	678	689	675	718	697
<b>Loss (1000 MT)</b>	0	0	0	0	0	0
<b>Domestic Use and Loss (1000 MT)</b>	678	678	689	675	718	697
<b>Ending Stocks (1000 MT)</b>	873	873	677	761	941	999
<b>Total Distribution (1000 MT)</b>	3000	3000	4046	4117	4337	4439
<b>Stock to Use % (PERCENT)</b>	41.02	41.02	20.11	22.68	27.7	28.19
<b>Yield (KG/HA)</b>	1595	1595	1911	1948	1885	1849

**Attachments:**

No Attachments

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