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Report Highlights:

Brazil's cotton sector is expected to contract in MY 2026/27, with planted area and production declining due to high interest rates, rising costs, and lower global prices, prompting some producers to shift to corn production. Despite this, yields remain stable and Brazil is set to maintain its position as the world's leading cotton exporter, supported by strong international demand. Domestic consumption is forecast to remain steady, while ending stocks are projected to decline due to lower production.

Cotton Marketing Year Comparison Guide

In October 2023, USDA revised how it reports cotton production data for Brazil. This modification was made to better align harvest and export statistics and to provide more accurate estimates of ending stocks. This revision led to a shift in USDA’s historical marketing year (August - July) area and production estimates to one year ahead (e.g., MY 2022/23 is reported as MY 2023/24). Further details can be found in the following [World Agricultural Production](#) and [Cotton: World Markets and Trade](#) reports.

USDA estimates for Brazil’s area and production now reflect the calendar year (CY) harvest for the first listed year of the split (e.g. 2026 for 2026/27), instead of the previous method of using the next calendar year’s harvest.

As such, MY 2026/27 forecast for area, production, and yield now refers to cotton that will be harvested in 2026 and will enter the market in the 2026/27 trade window. In Brazil, MY 2026/27 production estimates are often referred to as season 2025/26 (referencing parts of production operations that started in late 2025).

Table 1

USDA revised and Brazil’s MY equivalence for cotton area, production, yield, consumption, and trade.

PS&D Attributes	USDA’s MY	Brazil’s MY Equivalent
Area, production, yield	2026/27 (Aug – Jul)	2025/26 (Aug – Jul)
	2025/26 (Aug – Jul)	2024/25 (Aug – Jul)
Consumption, trade	2026/27 (Aug – Jul)	2026/27 (Aug – Jul)
	2025/26 (Aug – Jul)	2025/26 (Aug – Jul)

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

AREA, PRODUCTION & YIELD

MY 2026/27 Brazil Cotton Planted Area Forecast to Decline

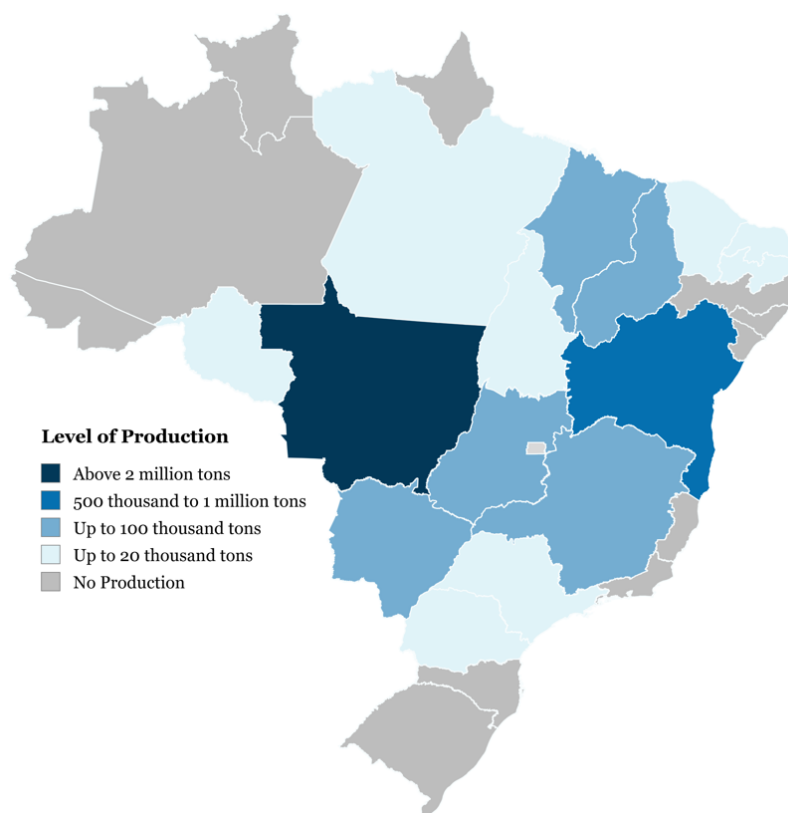
After several seasons of significant area expansion, Brazil's cotton sector is entering a more cautious phase, with financial constraints expected to drive a reduction in planted area. Post forecasts Brazil's MY 2026/27 cotton area at 2.0 million hectares (HA), representing a 7.8 percent decrease from the MY 2025/26 estimate of 2.17 million HA.

This anticipated contraction reflects a combination of factors, including persistently high interest rates, rising production costs, and declining prices driven by global oversupply. These pressure points are increasing financial risks for cotton producers in Brazil.

At the same time, relatively stronger corn prices and more moderate increases in corn production costs, particularly in Mato Grosso, where cotton and second-crop corn (*safrinha*) compete for land, are shaping planting decisions. As a result, some producers are expected to shift acreage from cotton to corn during the upcoming production cycle.

Figure 1

National Annual Cotton Production Share per Producing State in Brazil (MY2025/26)



Source: The Brazilian National Supply Company (CONAB) | Map generated by FAS Brasilia - Office of Agricultural Affairs (OAA).

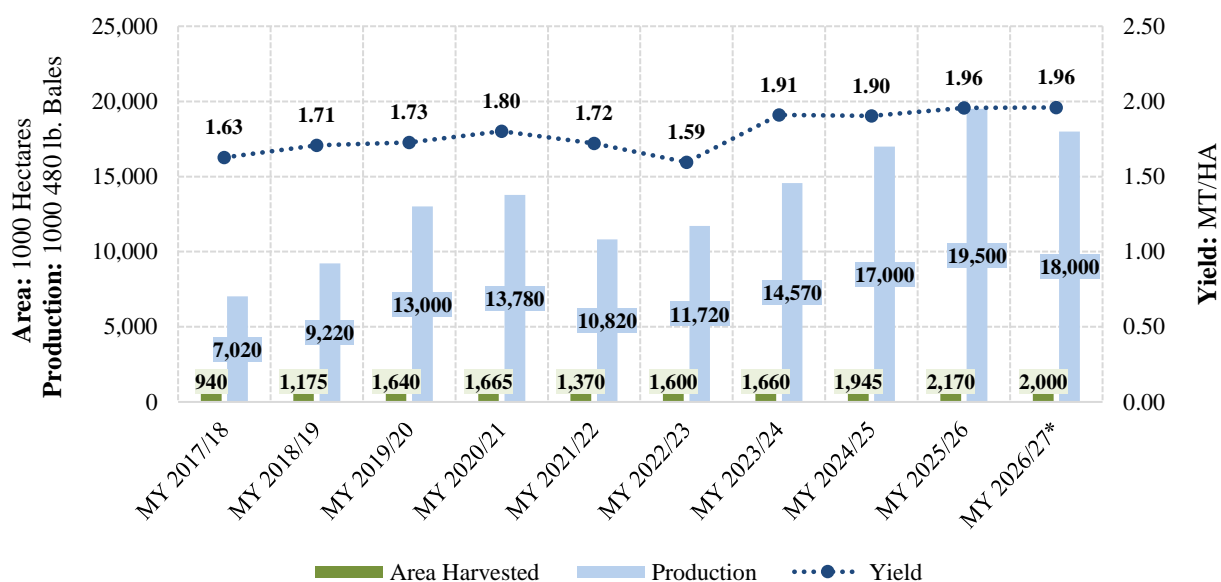
The projected decline in planted area is expected to be concentrated primarily in Mato Grosso, where favorable conditions for corn production present an attractive alternative for producers. However, other regions that have more recently expanded into cotton production and are not yet fully consolidated, are also likely to experience notable reductions in harvested area, particularly in the MATOPIBA region, which includes Maranhão, Tocantins, Piauí, and Bahia.

Brazil’s cotton production remains highly concentrated, with Mato Grosso accounting for nearly 70 percent of national output, followed by Bahia at approximately 21 percent. Other producing states, including Minas Gerais, Mato Grosso do Sul, Goiás, Piauí, and Maranhão, contribute meaningful, though smaller, shares of total production.

Post forecasts Brazil’s cotton production in MY 2026/27 at 18 million bales (3.9 million metric tons (MMT)), representing a 7.6 percent decline from the current MY 2025/26 estimate. This decrease is largely driven by an expected contraction in harvested area during the season.

Figure 2

Evolution of Cotton Area, Production and Yield in Brazil (MY 2017/18 – MY 2026/27)*



Source: USDA Foreign Agricultural Service (FAS) | Chart generated by FAS Brasilia - Office of Agricultural Affairs (OAA) | Note: Data for the latest MY, marked with (*), considers Post’s estimates and forecasts.

Productivity levels are expected to remain relatively stable, with average yields forecast at 1,960 KG/HA. This stability reflects the consolidation of highly efficient producers who continue to operate in the sector, supported by substantial prior investments in on-farm infrastructure. In contrast, more recent entrants who have yet to make significant productivity-enhancing investments are reportedly shifting away from cotton production in the upcoming season.

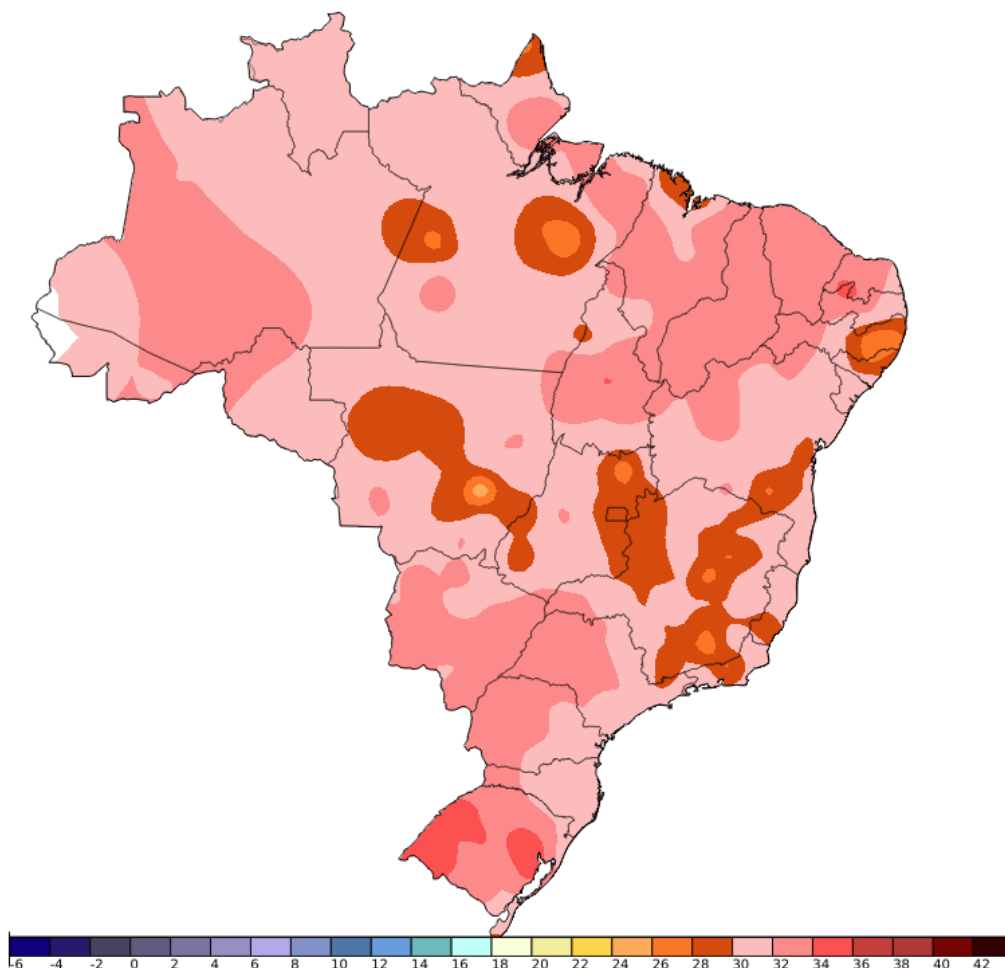
The sowing season concluded at the end of February, with favorable weather conditions reported across key producing regions further supporting yield prospects. Assuming normal weather patterns for the remainder of the year, the harvest is expected to begin in late May and extend through September.

During flowering and boll development, optimal temperatures typically range between 25°C and 30°C (77°F to 86°F). Temperatures exceeding 38°C (100°F) can negatively affect yields, according to Brazil's Ministry of Agriculture (MAPA) through the National Agricultural Climate Risk Zoning Program (ZARC).

Cotton water requirements generally range from 700 mm to 1,300 mm, depending on regional conditions, soil characteristics, and crop variety. Approximately 50 to 60 percent of total water demand occurs during the flowering and boll development stages. In addition, water stress within the first 60 to 100 days after plant emergence can significantly reduce yield potential.

Figure 3

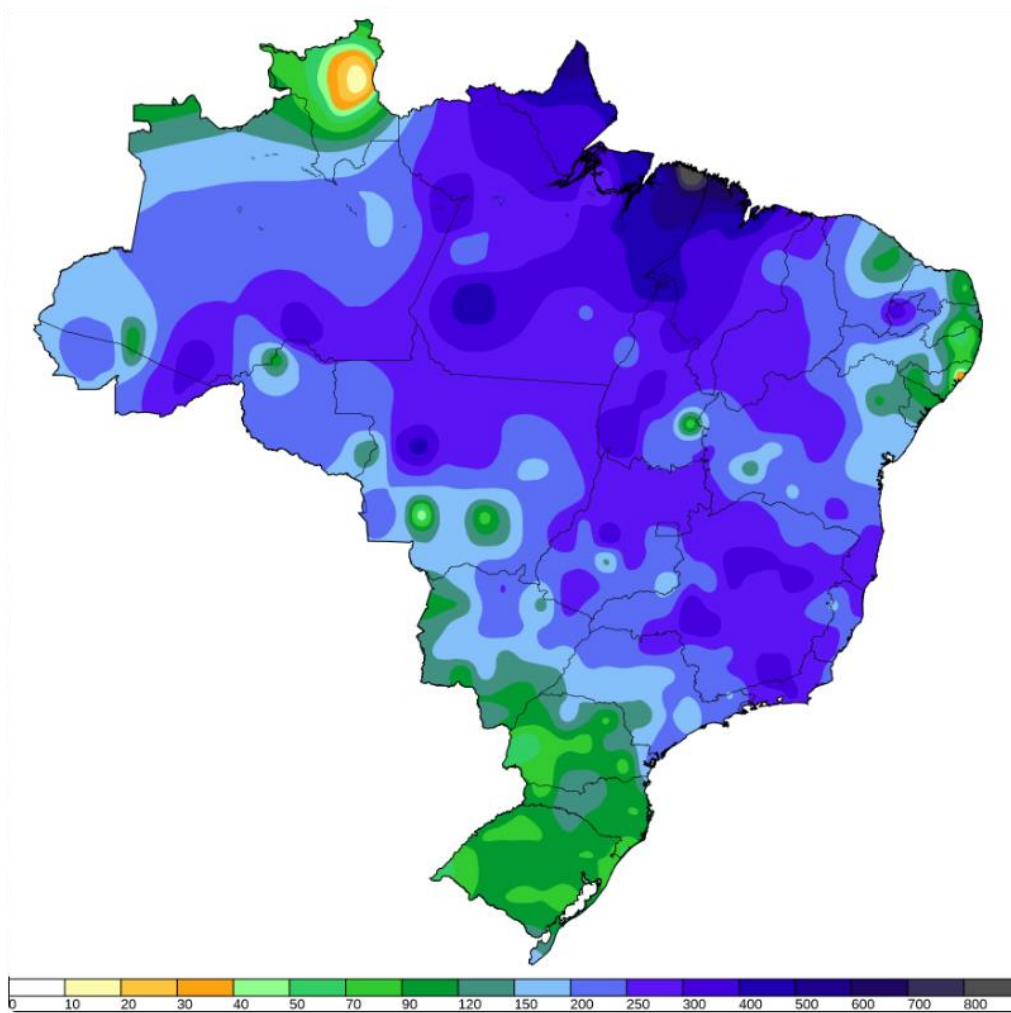
Average Temperature Reported in the Last 30 Days in Celsius (Data as of March 31st, 2026)



Source: Brazil's National Institute of Meteorology (INMET).

Figure 4

Accumulated Precipitation in the Last 30 Days in millimeters (Data as of March 31st, 2026)



Source: Brazil's National Institute of Meteorology (INMET).

CONSUMPTION

Domestic consumption to remain steady in Brazil, with continued competition from synthetics

Post forecasts MY 2026/27 consumption (i.e. from Aug 2026 – July 2027) at 3.5 million bales (762 thousand MT), unchanged from the new revised estimates for MY 2025/26.

Brazil ranks among the world's ten largest cotton consumers, relying on steady domestic demand for a portion of its production. However, consumption has been constrained by the rapid expansion of e-commerce platforms offering low-cost imported goods, primarily from Asia.

Although consumer preferences in Brazil have recently shown a shift toward cotton and away from synthetic fibers, reportedly driven by health and environmental considerations, this trend has not translated into equivalent gains for the domestic textile manufacturing sector. Increased competition from imported finished goods, facilitated by e-commerce, continues to limit growth in local industrial demand.

Over the past decade, Brazil's domestic cotton consumption has remained relatively stable, with only modest fluctuations in response to macroeconomic conditions such as inflation, interest rates, and household purchasing power. Demand for cotton-based textiles and apparel is income-elastic, making it particularly sensitive to changes in economic conditions and often among the first sectors affected during periods of instability.

According to recent projections from the Government of Brazil (GoB) and domestic financial institutions, the Brazilian economy is expected to experience moderate growth in 2026. However, this outlook is subject to both domestic and international uncertainties that may affect prices and consumer purchasing power.

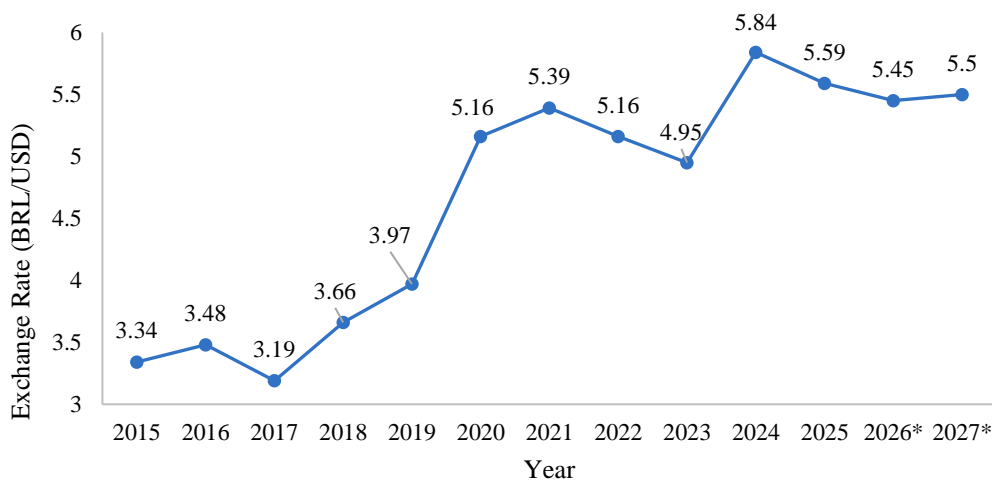
Brazil's Economic Outlook

The Brazilian Central Bank (BCB) estimates that Brazil's gross domestic product (GDP) will grow by 1.82 percent in 2026 and 1.80 percent in 2027. According to the Central Bank's Focus Survey, inflation is expected to reach 3.91 percent in 2026 and 3.80 percent in 2027. In 2025, Brazil experienced a notable slowdown in GDP growth, with estimated growth of 2.5 percent—the lowest level since 2020.

The Brazilian real has continued to strengthen against the U.S. dollar, reflecting a range of economic factors in both Brazil and the United States. Currently at R\$5.24 per US\$1, the exchange rate is forecast to reach R\$5.45 per US\$1 in 2026, with a slight increase to R\$5.50 per US\$1 in 2027, according to BCB's data.

Figure 5

Average Cost of Brazilian Real per \$1 U.S. Dollar, (2015 - 2027)*



Source: Brazilian Central Bank | Chart generated by FAS Brasilia - Office of Agricultural Affairs (OAA).

The latest data from Brazil’s Institute of Geography and Statistics (IBGE) show that 5.5 million people were unemployed in the fourth quarter of 2025, representing an unemployment rate of 5.1 percent. However, an additional 2.6 million people stopped looking for work. The total underutilization rate stood at 13.4 percent in the third quarter of 2025.

These indicators play a key role in influencing consumption levels and have a direct impact on production decision-making, as producers attempt to anticipate future demand and assess the profitability of production.

Points that Favor the Cotton Sector in Brazil

Strong purchasing power (USD/BRL exchange rate): Brazil continues to rely on imported technology to advance its agricultural sector. With the recent decline in the USD exchange rate observed between 2024 and 2026 strengthening the Brazilian real, cotton growers have increased purchasing power when acquiring machinery, equipment, certain fertilizers, and other inputs that make up overall production costs.

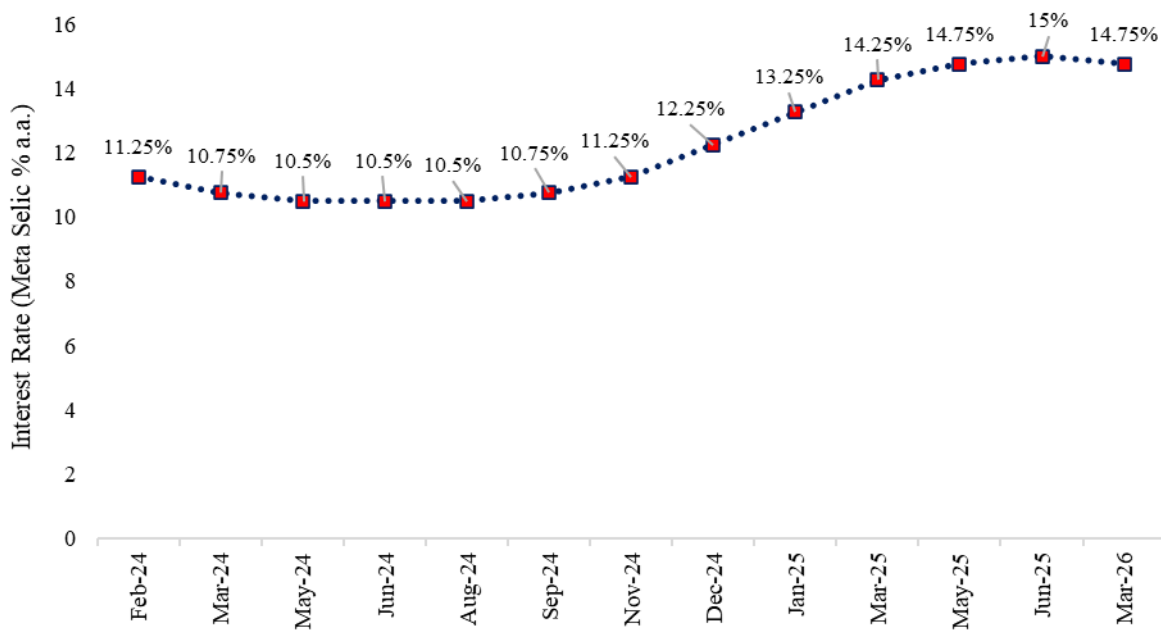
Broad government incentives (i.e., Plano Safra): Government incentives, such as Brazil’s Plano Safra, can strongly motivate cotton growers by lowering financial risk and reducing production costs. Plano Safra is Brazil’s annual farm credit program, offering subsidized loans, insurance support, and investment financing to producers. In 2025, the GoB made more than R\$594 billion available for agribusiness and family agriculture, making it one of the largest agricultural support programs in the world.

Cotton Sector Constraints in Brazil

High interest rates: Between 2019 and 2022, Brazil recorded an average basic interest rate of 4.43 percent, among the lowest levels in recent history. This favorable credit environment encouraged many producers to invest in the cotton sector through land acquisitions, area expansion and development, and the purchase of new equipment specifically for cotton production, contributing to the sector's overall performance in recent years. However, with the basic interest rate now at 14.75 percent, investment in the sector has become less attractive and less profitable, discouraging producers from taking on additional risk and potentially leading to a contraction in cotton production.

Figure 6

Historical Basic Interest Rate (February 2024 – March 2026 Selic % a.a.)



Source: Brazilian Central Bank / Chart generated by FAS Brasilia (Office of Agricultural Affairs – OAA).

Lower prices: In addition to rising interest rates, the recent decline in cotton prices has made it more difficult for producers to service debts accumulated in previous years. This environment reduces the attractiveness of cotton production and has led some farmers to consider switching to alternative crops, such as corn.

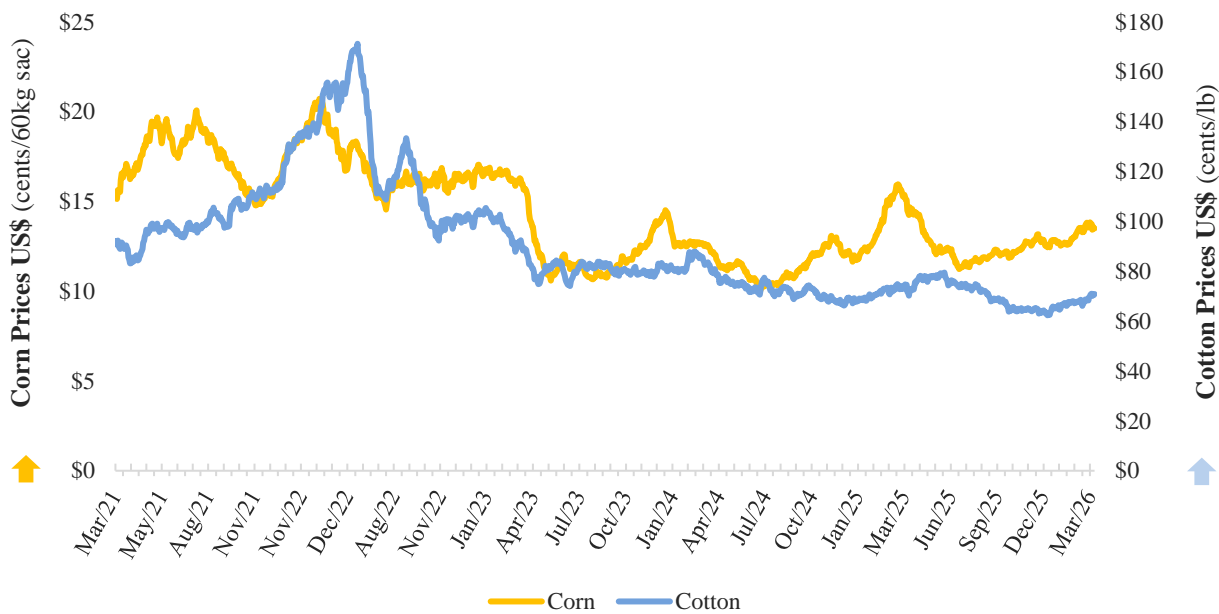
PRICES AND COMMERCIALIZATION

Cotton prices on the New York exchange, and in Brazil, increased significantly during the first quarter of 2026, reaching 68.70 cents per pound (cents/lb) in March, driven by projections for production, stock levels, and market positioning. However, average price levels remain six percent below those recorded during the same period last year. A weaker macroeconomic environment, ongoing geopolitical instability, and rising Brazilian supply have eased pressure on global stocks, benefiting fiber consumers.

Domestically, cotton prices in Mato Grosso have followed a similar pattern, with slightly higher prices reported by the Center for Advanced Studies on Applied Economics (CEPEA). This trend has been largely influenced by steady demand from the international market, particularly from the People’s Republic of China (PRC) and India, as well as higher logistics costs, driven mainly by increases in fuel prices.

Figure 7

Evolution of International Corn (CBOT) and Cotton (ICE) Prices (Mar. 2021 – Mar. 2026)



Source: Center for Advanced Studies on Applied Economics (CEPEA) data | Chart elaborated by FAS Brasilia - Office of Agricultural Affairs (OAA).

Following the high international cotton prices observed during the 2021/22 season, peaking in May 2022 at nearly 171.24 cents/lb, prices declined significantly and stabilized in 2023 at around 85.50 cents/lb, closing the year near 82.45 cents/lb. Throughout 2025, cotton prices declined further, averaging approximately 72.05 cents/lb, before falling to an average of 67.43 cents/lb in the first quarter of 2026.

Production costs for MY 2026/27 have increased by an average of 11.2 percent compared to the previous season, while prices have simultaneously declined by approximately 6.5 percent, significantly pressuring producers’ margins.

Cotton is considered a relatively high-risk and sensitive crop due to its substantial pest control requirements, strong dependence on weather conditions, and exposure to volatile global market prices. Producers must make significant upfront investments in infrastructure, seeds, fertilizers, pesticides, machinery, and labor, increasing financial exposure if yields or prices fall.

In addition, cotton prices fluctuate widely as the commodity is globally traded and strongly influenced by textile demand, where it directly competes with synthetic fibers. Quality factors—such as fiber length, strength, color, and cleanliness—also affect the prices farmers receive, meaning that weather events or pest damage can reduce profitability even when production volumes remain high.

According to the Brazilian Cotton Producers Association (ABRAPA), as of March 2026, 99.8 percent of the cotton harvested in MY 2025/26 had already been ginned and HVI tested, with 89 percent of that crop already commercialized. For MY 2026/27, forward sales by cotton growers have reached 60 percent.

TRADE

Brazil is expected to remain the world's largest cotton exporter, with MY 2026/27 exports (i.e. August 2026 to July 2027) forecast at 15 million bales (3.2 MMT), a 4.5 percent increase over the current estimate for the previous season. This volume represents more than 83 percent of the total projected production for the marketing year.

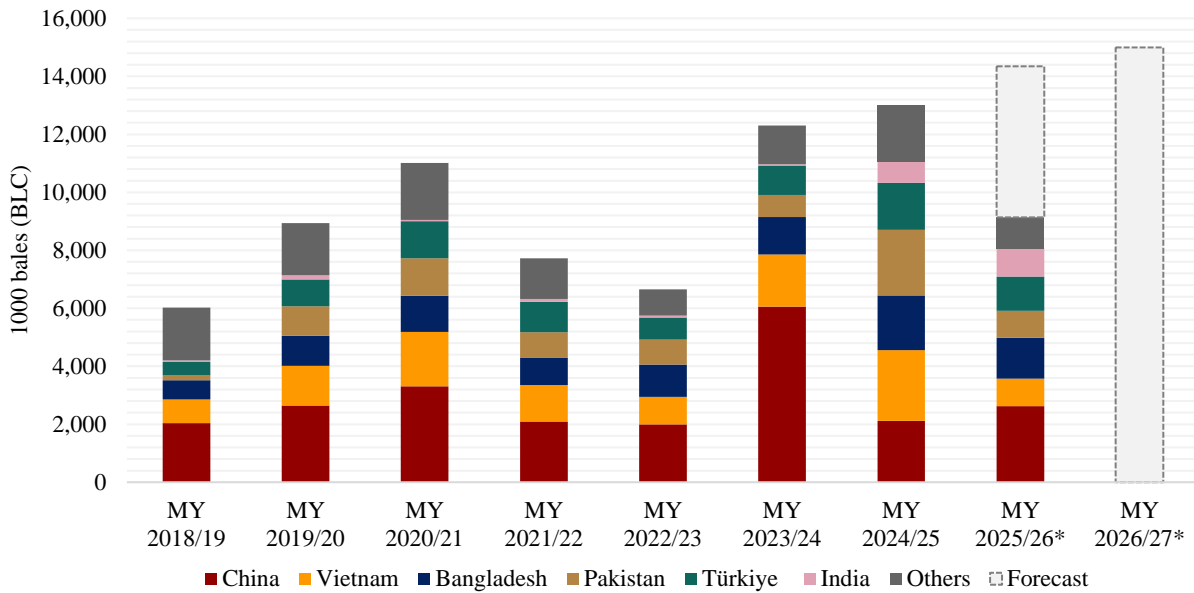
The strong export outlook highlights the competitiveness of Brazilian cotton, largely driven by its consistently high quality, which is well established in international markets.

Building on its position as the world's leading exporter, Brazil has further strengthened its global market share through the Cotton Brazil program. This includes the use of advanced bale-by-bale traceability and the ABR (Responsible Brazilian Cotton) certification, which is fully benchmarked against the Better Cotton Initiative (BCI), helping meet the growing Environmental, Social, and Governance (ESG) requirements of international brands and retailers.

In MY 2025/26 (i.e. August 2025 to July 2026), Brazil already exported over 9.1 million bales (approximately 2 MMT) as of February 2026, equivalent to 63.4 percent of the projected total for the season and 4.6 percent higher than exports during the same period in the previous year. During this period, Brazil also set a new monthly export record in December, surpassing 2 million bales (452 thousand MT) shipped in a single month.

Figure 8

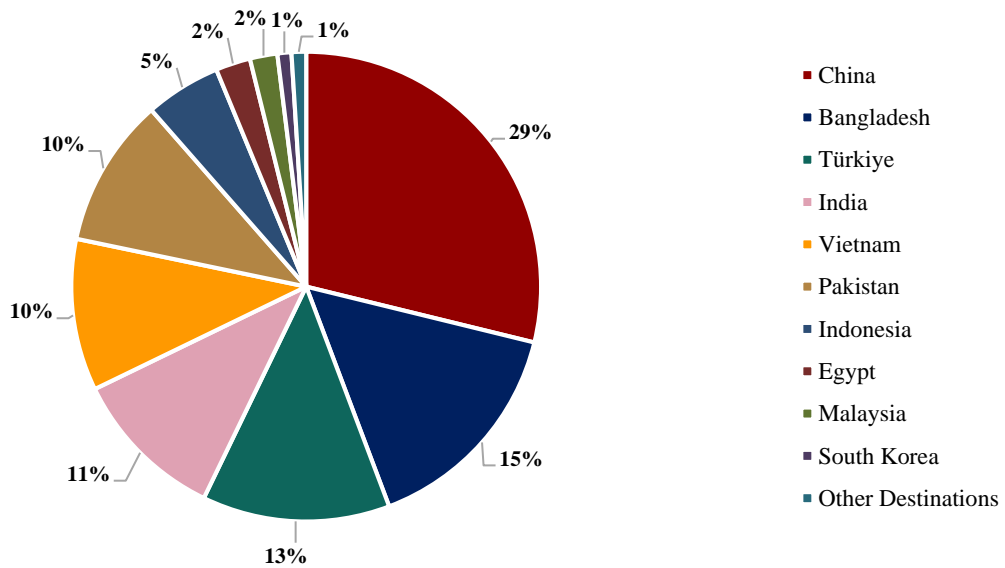
Evolution of Brazil's Cotton Exports & Destinations (MY 2018/19 – MY 2026/27)*



Source: Trade Data Monitor (TDM) | Chart generated by Post Brasilia - Office of Agricultural Affairs (OAA). Note: Data for the latest MY, marked with (*), considers Post's estimates and forecasts.

Figure 9

MY 2025/26 Cotton Exports Share per Destination (Aug. 2025 – Feb. 2026)



Source: Trade Data Monitor (TDM) | Chart generated by Post Brasilia - Office of Agricultural Affairs (OAA). Note: Data for the latest MY, marked with (*), considers Post's estimates and forecasts.

The PRC remains the primary destination for Brazilian cotton exports in MY 2025/26. As of February 2026, the Chinese market has accounted for over 2.6 million bales (572 thousand MT), representing 29 percent of total cotton shipments—38 percent more than imports from Brazil over the same period in the previous season.

India has also emerged as a key market for Brazilian cotton. So far into MY 2025/26, India has imported over 970 thousand bales (211 thousand MT), exceeding its imports from Brazil during MY 2024/25 by more than 32 percent. This growth reflects the Brazilian cotton sector's strategic efforts to expand its presence in the Indian market, led by ABRAPA. The organization is currently working to update the existing Preferential Trade Agreement between the two countries to lower high import tariffs and potentially establish tax-free quotas.

In terms of logistics, the Port of Santos—the largest in Latin America, located in São Paulo—remains the main export gateway, handling roughly 97 percent of Brazil's cotton shipments. Historically, ports in Brazil's North Arc have lacked sufficient infrastructure for containerized exports. However, Post contacts report that improvements at the Port of Salvador, Bahia, will facilitate cotton exports from Bahia, Brazil's second-largest cotton-producing state.

STOCKS

Post forecasts MY 2026/27 ending stocks at 3.9 million bales (849 thousand MT), a level closely linked to the season's projected production. This represents a 20 percent decline from revised MY 2025/26 estimates, yet remaining above the forecasted domestic demand.

POLICIES

Several public policies and private-sector initiatives have played a key role in strengthening Brazil's cotton production and expanding its presence in international markets.

State-level tax incentives: Subnational policies have also contributed to the sector's competitiveness. Since 2003, the state of Minas Gerais has implemented Proalminas, a program that provides tax incentives to textile companies purchasing locally-produced cotton.

In exchange for tax reductions of up to 41.6 percent, participating firms must (i) purchase a minimum quota of cotton from within the state; (ii) pay producers a premium of 7.8 percent above market prices; and (iii) allocate 1.5 percent of the tax benefit each quarter to a development fund supporting pest control, technical capacity building, and improved agricultural practices. In MY 2023/24, Minas Gerais recorded the third-highest cotton yields in Brazil, reaching 2,052 KG/HA, according to The Brazilian National Supply Company (CONAB).

Bahia operates a similar mechanism through Proalba, which grants tax reductions of up to 50 percent on locally consumed cotton. In return, beneficiaries are required to invest 10 percent of the tax savings into a fund dedicated to research and development, phytosanitary improvements, and market promotion.

In Mato Grosso, the equivalent initiative is the Proalmat program, which offers tax reductions of up to 75 percent on the state value-added tax (ICMS). This policy was recently renewed through December 2032 and is widely viewed as critical to preserving the international competitiveness of the state's second-crop cotton production.

Fertilizers: On November 29, 2023, the National Fertilizer and Plant Nutrition Council (Confert), under the Ministry of Development, Industry, and Foreign Trade, released an updated National Fertilizer Plan (PNF). The plan outlines more than 27 short-, medium-, and long-term targets aimed at enabling domestic production to meet 45 to 50 percent of national fertilizer demand by 2050. Currently, Brazil ranks as the world's fourth-largest fertilizer consumer but relies on imports for nearly 87 percent of its needs.

While many of the PNF's measures focus on long-term structural changes—such as expanding production capacity and promoting research and development—improving access to more affordable fertilizers could significantly enhance Brazil's agricultural competitiveness. This is particularly relevant for cotton, which is highly dependent on fertilizers for soil correction and productivity gains.

In parallel, Brazil's Congress is reviewing proposed legislation to establish the National Program for the Development of the Fertilizer Industry (Profert). If enacted, the program is expected to grant tax incentives to companies investing in capacity expansion, including the acquisition of machinery, equipment, and other capital goods.

Cotton Brazil: Coordinated by ABRAPA in partnership with the National Association of Cotton Exporters (ANEA) and the Brazilian Trade and Investment Promotion Agency (ApexBrasil), Cotton Brazil is the country's main international promotion platform for cotton. The initiative is structured around three core pillars—quality, sustainability, and traceability—and is supported by a network of 12 laboratories plus a central reference facility.

Brazil is currently the world's largest supplier within the Better Cotton Initiative (BCI), reflecting its strong commitment to sustainable production practices. In addition, Brazilian cotton benefits from a comprehensive traceability system capable of identifying the full supply chain, including producers, regions, and ginning facilities. Key export destinations include China, Bangladesh, Vietnam, Türkiye, Indonesia, Pakistan, and India. Through these efforts, the program seeks to position Brazilian cotton's reliability and sustainability credentials as distinct competitive advantages in global markets.

Responsible Brazilian Cotton Program (ABR): Implemented domestically in alignment with BCI standards, the ABR is a voluntary certification protocol established in 2012 to progressively harmonize sustainability practices across the cotton value chain. The program is built on three pillars—social, environmental, and economic sustainability—and evaluates producers against approximately 183

criteria, covering areas such as labor conditions, waste management, environmental stewardship, and operational efficiency.

Compared to BCI's broader international framework, ABR applies stricter requirements, particularly regarding compliance with Brazilian labor and environmental legislation. All cotton certified under ABR is automatically recognized as BCI-compliant; however, the reverse does not necessarily apply.

Currently, an estimated 83 to 85 percent of Brazil's cotton production is ABR-certified, reinforcing the country's leadership within the Better Cotton system and accounting for more than one-third of global licensed output. Certification requires annual, farm-level audits conducted by independent, internationally accredited third parties. Inspections are carried out by the Brazilian Association of Technical Standards (ABNT), along with private certification bodies such as Genesis Certifications and QIMA.

Production, Supply, and Distribution (PSD) in 1000 480 lb. Bales

Cotton	2024/2025		2025/2026		2026/2027
	Aug 2024		Aug 2025		Aug 2026
Brazil	USDA Official	New Post	USDA Official	New Post	New Post
Area Harvested (1000 HA)	1945	1945	2170	2170	2000
Beginning Stocks 1000 480 lb. Bales	2826	2826	3418	3309	4964
Production 1000 480 lb. Bales	17000	17000	19500	19500	18000
Imports 1000 480 lb. Bales	4	4	5	5	6
Total Supply 1000 480 lb. Bales	19830	19830	22923	22814	22970
Exports 1000 480 lb. Bales	13021	13021	14500	14350	15000
Domestic Use 1000 480 lb. Bales	3391	3500	3400	3500	3500
Loss 1000 480 lb. Bales	0	0	0	0	0
Domestic Use and Loss 1000 480 lb. Bales	3391	3500	3400	3500	3500
Ending Stocks 1000 480 lb. Bales	3418	3309	5023	4964	3970
Total Distribution 1000 480 lb. Bales	19830	19830	22923	22814	22470
Stock to Use % (PERCENT)	20.83	20.03	28.06	27.81	21.46
Yield (KG/HA)	1903	1903	1957	1957	1960
(1000 HA) ,1000 480 lb. Bales ,(PERCENT) ,(KG/HA)					
OFFICIAL DATA CAN BE ACCESSED AT: PSD Online Advanced Query					

Production, Supply, and Distribution (PSD) in 1000 MT

Cotton	2024/2025		2025/2026		2026/2027
Market Year Begins	Aug 2024		Aug 2025		Aug 2026
Brazil	USDA Official	New Post	USDA Official	New Post	New Post
Area Harvested (1000 HA)	1945	1945	2170	2170	2000
Beginning Stocks 1000 MT	615	615	744	720	1081
Production 1000 MT	3701	3701	4246	4246	3919
Imports 1000 MT	1	1	1	1	1.3
Total Supply 1000 MT	4317	4317	4991	4967	5001
Exports 1000 MT	2835	2835	3157	3124	3266
Domestic Use 1000 MT	738	762	740	762	762
Loss 1000 MT	0	0	0	0	0
Domestic Use and Loss 1000 MT	738	762	740	762	762
Ending Stocks 1000 MT	744	720	1094	1081	864
Total Distribution 1000 MT	4317	4317	4991	4967	4892
Stock to Use % (PERCENT)	20.83	20.03	28.06	27.81	21.46
Yield (KG/HA)	1903	1903	1957	1957	1960
(1000 HA) ,1000 MT ,(PERCENT) ,(KG/HA)					
OFFICIAL DATA CAN BE ACCESSED AT: PSD Online Advanced Query					

Attachments:

No Attachments