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Report Highlights:

Post revised up Brazil's MY 2024/25 cotton production forecast to 16.6 million 480lb bales (3.6 million metric tons (MMT)), an 11 percent increase compared to the previous MY. The main drivers behind this record output are a forecasted area increase (revised up to 1.94 million hectares), and better-than-anticipated yields across key producing states. While domestic consumption remains relatively steady, international demand should continue to sustain cotton expansion in Brazil, which surpassed the United States as the world's largest cotton exporter in MY 2023/24 (Aug 2023 – Jul 2024). Post revised up the MY 2024/25 export forecast to 12 million bales due to increased foreign demand. Outyear ending stocks should remain high, forecasted at 4.8 million bales, as total cotton supply outpaces total use.

INTRODUCTION

As announced in October 2023's 'World Agricultural Production' and 'Cotton: World Markets and Trade' reports, and echoed in Post's last Annual Report, USDA 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.

Table 1

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

PS&D Attributes	USDA's MY	is equivalent to Brazil's season
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).

AREA, PRODUCTION AND YIELD

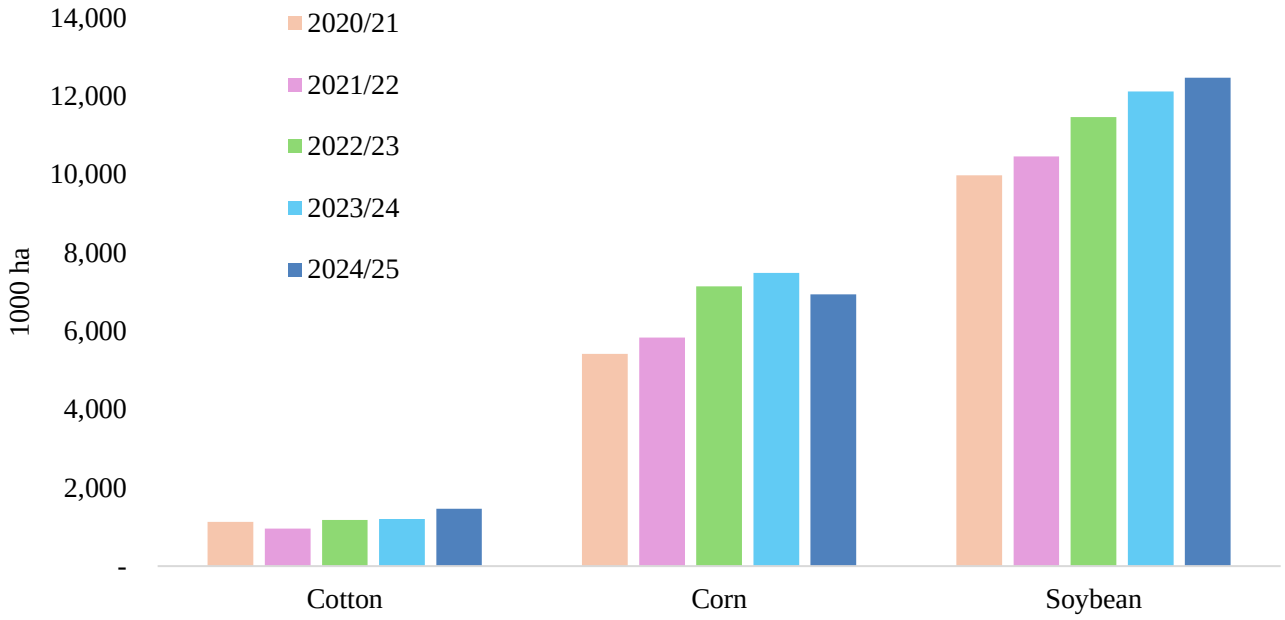
Post estimates Brazil's MY 2024/25 cotton production at 16.6 million 480lb bales (3.6 million metric tons (MMT)), up by 1.25 million bales compared to the previous report (an eight percent increase) and 1.7 million bales compared to MY 2023/24 (up by 11 percent). This is largely due to increased area in major cotton producing states, as well as better-than-anticipated yields.

Cotton area is now estimated by Post at 1.96 million hectares (ha) in MY 2023/24, representing a record 19 percent yearly growth compared to the unchanged MY 2023/24 estimate at 1.66 million ha. Post

contacts acknowledged that many farmers switched from other crops, such as corn, as cotton growing offered better financial perspectives (see the Prices and Commercialization section for more details). In Brazil's Center West region, cotton and corn compete for the second crop window (known in Portuguese as *safrinha*), after the soybean harvesting. Amidst challenging weather conditions in late 2023, due to El Niño inflicted heat waves, and plunging corn prices, several farmers who already had specific infrastructure (e.g. cotton harvesting machinery) preferred to plant cotton instead, driving up area estimates.

Figure 1

Evolution of area for cotton, corn and soybean in Mato Grosso (MY 2020/21 – MY 2024/25)



Source: Mato-Grosso Institute of Agricultural Economics (IMEA). Chart elaborated by: Post Brasilia (Office of Agricultural Affairs – OAA).

As Brazil's single largest cotton-growing state, the Center Western state of Mato Grosso accounts for nearly 70 percent of all planted area. According to the Brazilian Supply Company (CONAB, in Portuguese), year-on-year area expansion in this state – which increased from 1.2 million ha to 1.4 million ha (up by 19 percent) – pulled the national area estimate upwards. IMEA estimates Mato Grosso's area to reach 1.46 million ha in MY 2024/25 compared to the previous season's 1.2 million ha.

The Northeastern state of Bahia, responsible for nearly 20 percent of Brazil's total cotton area, is also experiencing a double-digit area growth rate, from an estimated 313 thousand ha to 345 thousand ha (up by 10 percent), according to the Brazilian Cotton Producers Association (ABRAPA), based on projections from their state-level branches. The remaining fields are mostly distributed across the states of Mato Grosso do Sul, Maranhão, Goiás, Minas Gerais, São Paulo, Rondônia and Piauí.

Post revised up its yield estimates by three percent compared to the previous report, reaching 1,844 kg/ha, due to better than anticipated weather conditions. As Table 2 shows, cotton areas across key states enjoyed largely favorable conditions, which helped to improve yield outlooks across the country. This led various public and private agricultural forecasting agencies to revise up their own numbers. For instance, CONAB's latest MY 2024/25 national wide cotton yield estimates are seven percent higher than their first projection (1,874 kg/ha in August 2024 compared to 1,754 kg/ha eleven months ago). ICAC Cotton and ABRAPA also revised up their Brazil MY 2024/25 yield outlooks by four and two percent, respectively, over the last months. For Mato Grosso, IMEA revised up its latest cotton yield projection by two percent since their first forecast (1,814 kg/ha compared to 1,776 kg/ha).

Table 2

Weather Conditions in Brazil's Top Two Producing States During Cotton MY 2024/25

Region	% of National Production	Dec	Jan	Feb	Mar	Apr	May	June	Jul	Aug	Sep
Bahia Far West	20.8	S/E/SD	E/SD	SD/F	SD/F/BD	F/BD	BD/M	BD/M/H	BD/M/H	M/H	H
Mato Grosso North 1st crop	45.87	S/E/SD	SD	SD/F	F/BD	BD/M	M	M/H	H	H	
Mato Grosso North 2nd crop			S/E/SD	E/SD	SD/F	F/BD	BD	BD/M	M/H	H	H
Mato Grosso Northeast 1st crop	6.74	S/E/SD	SD	SD/F	F/BD	BD/M	M	M/H	H	H	
Mato Grosso Northeast 2nd crop			S/E/SD	E/SD	SD/F	F/BD	BD	BD/M	M/H	H	H
Mato Grosso Southwest 1st crop	0.93	S/E/SD	SD	SD/F	F/BD	BD/M	M	M/H	H	H	
Mato Grosso Southwest			S/E/SD	E/SD	SD/F	F/BD	BD	BD/M	M/H	H	H

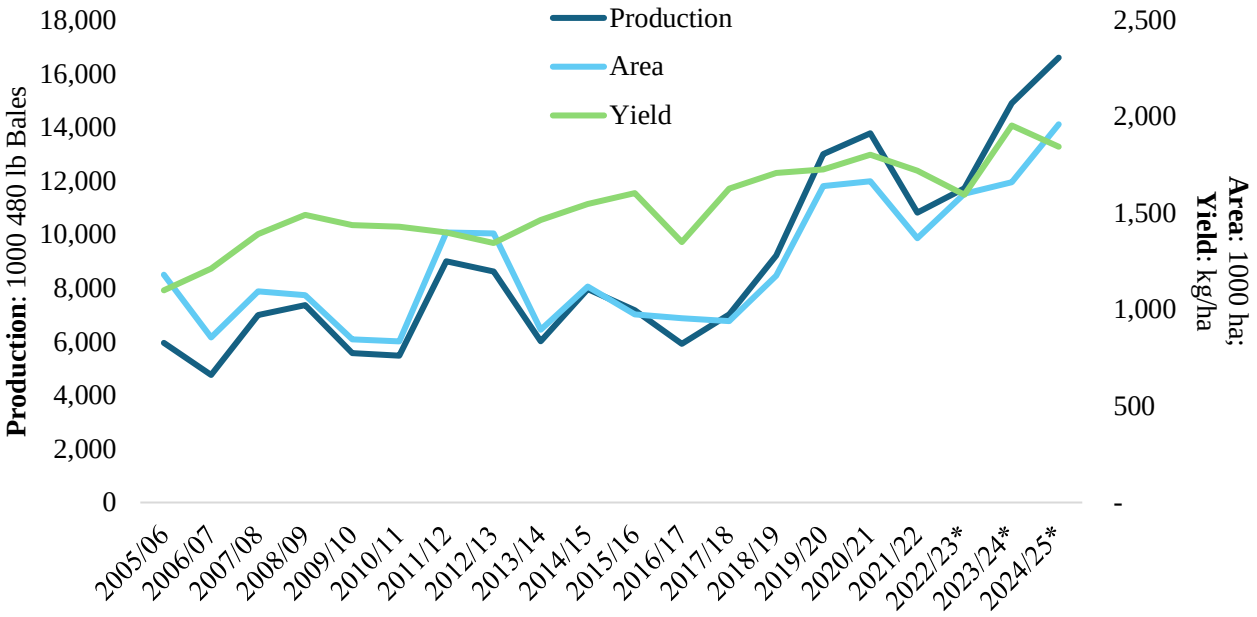
2nd crop											
Mato Grosso Center-South 1st crop	0.93	S/E/SD	SD	SD/F	F/BD	BD/M	M	M/H	H	H	
Mato Grosso Center-South 2nd crop			S/E/SD	E/SD	SD/F	F/BD	BD	BD/M	M/H	H	H
Mato Grosso Southeast 1st crop	13.99	S/E/SD	SD	SD/F	F/BD	BD/M	M	M/H	H	H	
Mato Grosso Southeast 2nd crop			S/E/SD	E/SD	SD/F	F/BD	BD	BD/M	M/H	H	H

Source: CONAB. Table translated and adapted by: Post Brasilia (Office of Agricultural Affairs – OAA). Note: (S)=sowing; (E)= emergence; (SD)=seedling development; (F)=flowering; (BD)=boll development (M)=maturation (H)=harvesting. Months in orange mean lower rainfall levels; in green mean favorable weather conditions; and in blue mean higher rainfall levels.

However, national yields remain six percent below MY 2023/24's record yield, at 1,954 kg/ha. Post contacts mentioned that timely and appropriate levels of rainfall, sunlight, and temperature allowed Brazilian cotton growers to harvest record volumes due to record yields. The El Niño effects on South America's weather (particularly from June 2023 to April 2024) hindered such ideal conditions from happening to the same extent in MY 2024/25, which helps explain the reduced yield outlooks compared to the last season.

Figure 2

Evolution of cotton area, production and yield in Brazil (2005/06 – 2024/25)



Source: FAS. Chart elaborated by: Post Brasilia (Office of Agricultural Affairs – OAA). Note: Data for the latest three MY, marked with (*), considers Post's estimates and forecasts.

As of August 19th, over 65 percent of cotton areas had been harvested, while the remaining fields are in maturing stages, according to CONAB. ABRAPA reports harvest reaching 49 percent of estimated fields, as of August 15th. With favorable weather conditions, farmers have accelerated harvesting pace over the last few weeks across the main cotton-producing states.

Table 3

Evolution of cotton harvest across key producing states (MY 2024/25)

	Week ending on		
State	**2023**	**2024**	
	Aug 19th	**Aug 11th**	**Aug 18th**
Maranhão	71	66	73
Piauí	93	66	72
Bahia	68	55	65

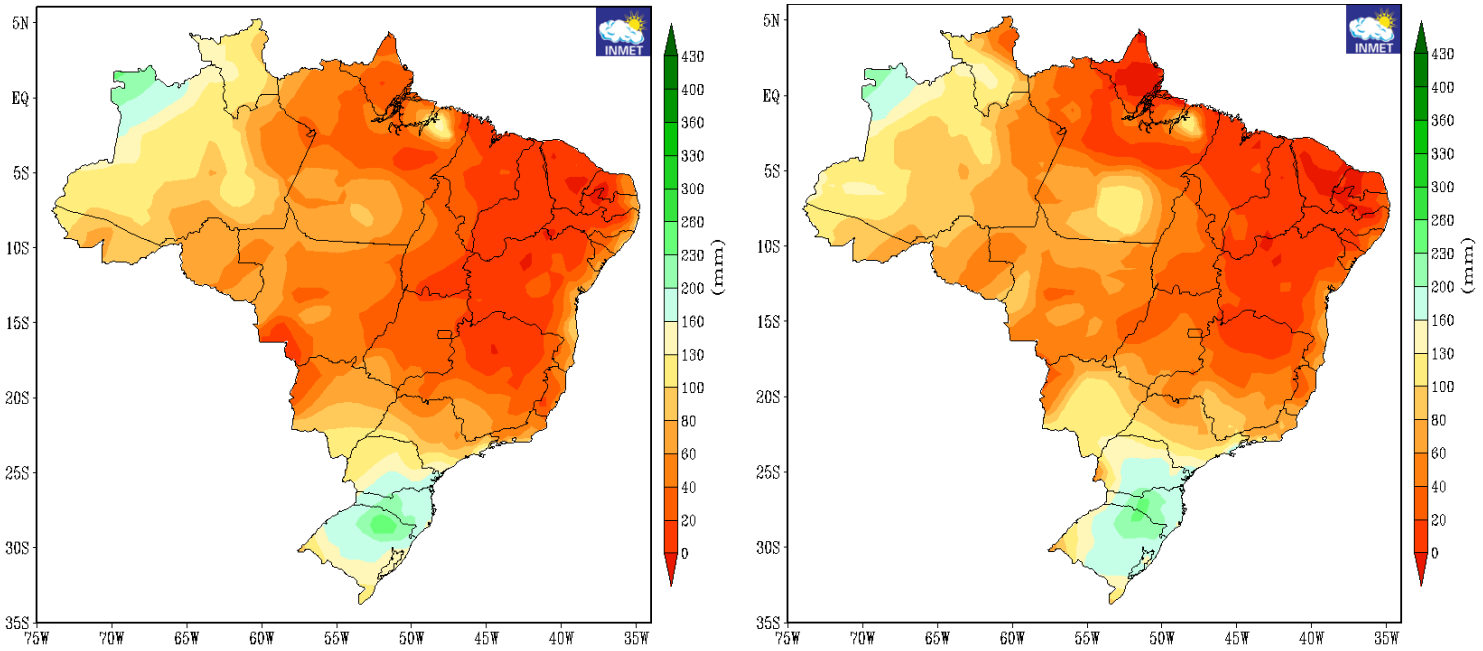
Mato Grosso	64	53	64
Mato Grosso do Sul	85	88	94
Goiás	79	77	82
Minas Gerais	67	68	72

Source: CONAB. Table elaborated by: Post Brasilia (Office of Agricultural Affairs – OAA)

Weather projections by INMET forecast precipitation volumes in September 2024 at similar levels as September 2023 across key cotton-producing states. If confirmed, it may positively influence the final harvesting stages, particularly in Mato Grosso and Bahia.

Figures 3 (left) and 4 (right)

Forecasted rainfall levels for September 2024 (as of August 2024) (left) and a comparison to the same forecast last year (i.e. forecasted rainfall levels for September 2023, as of August 2023) (left).



Source: INMET. Charts elaborated by: INMET.

State-level highlights

Mato Grosso

Table 4

Area, production, and yield estimates for the state of Mato Grosso, by reporting source (MY 2023/24 – MY 2024/25)

	MY 2024/25			MY 2023/24		
	Area (1000 ha)	**Production (1000 480 lb bales)**	**Yield (kg/ha)**	**Area (1000 ha)**	**Production (1000 480 lb bales)**	**Yield (kg/ha)**
CONAB	1,415	12,116	1,864	1,190	10,341	1,892
IBGE	1,437	11,636	1,763	1,228	10,157	1,800
IMEA	1,464	12,199	1,814	1,203	10,688	1,934
ABRAPA	1,473	12,269	1,814	1,203	10,688	1,935

Source: CONAB, Brazil's Institute of Geography and Statistics (IBGE), IMEA and ABRAPA. Table elaborated by: Post Brasilia (Office of Agricultural Affairs – OAA). Note: (1) As IBGE reports cotton production in cottonseed volumes (algodão em caroço, in Portuguese), Post considered a seed-to-lint ratio of 41.3 percent, as considered by CONAB. (2) ABRAPA's estimates considers their state-level branches' numbers.

With two cotton crops per year, Mato Grosso is traditionally responsible for over 70 percent of Brazil's total cotton area and production. The first crop usually has a longer cycle and varies from 10 to 20 percent of Mato Grosso's total area. In MY 2024/25, the first crop area, mostly centered in the state's Southeast region, registered a record increase, from 185.3 thousand ha to 265.8 thousand ha (43 percent growth). That was due to the problems induced by poor weather conditions affecting soybeans in the final quarter of 2023. The second cotton crop, largely located in Mato Grosso's West and Mid-North regions, has the largest area in the state, with IMEA forecasting 1.2 million ha for MY 2024/25 – 16 percent more than MY 2023/24 (1.02 million ha).

Most sowing happens from late December to late January in Mato Grosso. According to IMEA, all cotton fields were sowed in Mato Grosso by February 23rd with nearly 90 percent of areas planted within the ideal period. Due to the negative weather impacts on soybean fields, some producers preferred to switch to cotton after attempts to replant soybean areas. Lower production costs, particularly with macronutrients/fertilizers, also motivated farmers to grow cotton in the current MY.

For the second crop cotton, favorable weather conditions fostered the harvesting pace, which started in mid-June 2024, as usual, and reached 57 percent as of August 16th, according to IMEA. Post contacts reported better-than-expected yields and satisfactory lint quality.

As only up to 150 thousand ha are irrigated in the state (nearly 11 percent of cotton area), most cotton fields are rainfed and reliant on appropriate weather conditions to reach potential. From a national perspective, the Brazilian Cotton Producers Association (ABRAPA) estimates that up to 92 percent of Brazil's cotton production is in rainfed properties. The remaining eight percent are allocated in irrigated areas, five times lower than the global average (45 percent).

Cotton producers have until early to mid-October to conclude the harvest, depending on the location of the farm. After that, all live cotton plants must be destroyed per the national pest control strategy, known as *vazio sanitário* (in Portuguese). In Mato Grosso, the state's phytosanitary authority stipulated this period between October 1st to November 30th (for properties located in Region I, which concentrates roughly two-thirds of cotton production in the state) and between October 15th to December 14th (for properties located in Region II).

Bahia

Table 5

Area, production, and yield estimates for the state of Bahia, by reporting source (MY 2023/24 – MY 2024/25)

	MY 2024/25			MY 2023/24		
	Area (1000 ha)	**Production (1000 480 lb bales)**	**Yield (kg/ha)**	**Area (1000 ha)**	**Production (1000 480 lb bales)**	**Yield (kg/ha)**
CONAB	346	3,073	1,934	313	2,876	2,003
IBGE	375	3,305	1,919	364	3,279	1,961
ABRAPA	345	3,045	1,919	313	2,875	2,003

*Source: CONAB, Brazil's Institute of Geography and Statistics (IBGE), IMEA and ABRAPA. Table elaborated by: Post Brasilia (Office of Agricultural Affairs – OAA). Note: (1) As IBGE reports cotton production in cottonseed volumes (*algodão em caroço*, in Portuguese), Post considered a seed-to-lint ratio of 41 percent, as considered by CONAB. (2) ABRAPA's estimates considers their state-level branches' numbers.*

Post contacts confirm a significant area expansion in Bahia for MY 2024/25 due to solid results from the previous season and expectations of enhanced international demand (for reference, Bahia exported over 70 percent of its estimated MY 2023/24 production). CONAB and the Association of Cotton Producers

of the State of Bahia (ABAPA) estimate an area growth of over ten percent compared to the previous season. Despite area increase, yields are set to be lower than last year's due to irregular rainfall earlier in 2024 and the poor weather conditions in late 2023.

The pace of cotton harvesting in Bahia, which started in mid-May, is rapidly improving. Local reports indicate that harvesting in rainfed properties is approach the final stages, while field works in the irrigated farms have progressed between late July and early August. The western region of the state has approximately 98 percent of all Bahia's cotton area, of which 242.5 thousand ha are rainfed (71 percent) and 97.2 thousand ha are irrigated (29 percent). Due to climate uncertainties sparked by El Niño, farmers in Bahia shifted nearly 18 thousand ha to irrigation systems to avoid possible weather-related losses.

Post contacts informed that Bahia's producers had to address specific pest cases (involving thrips, whiteflies, leaf miners, boll weevils and fall armyworms), although it has not reportedly affected the state's overall production outlook. Reports indicated that harvested fields had satisfactory yields, producing high-quality fiber.

The *vazio sanitário* period in Bahia will last between September 20th and November 20th, which will allow an early window for next season's cotton sowing.

DOMESTIC CONSUMPTION

Domestic consumption to remain relatively steady in Brazil

Post revised down its MY 2024/25 consumption forecast (i.e. from Aug 2024 – July 2025) by 200 thousand bales to 3.3 million bales (718 thousand MT), due to less optimistic perspectives on Brazil's economic performance.

For the past ten years, Brazil's domestic cotton consumption has remained relatively consistent, ranging from 2.7 million bales to 3.4 million bales (approximately 588 – 740 thousand MT), depending on the country's overall economic performance, inflation and interest rates, and household financial capacities.

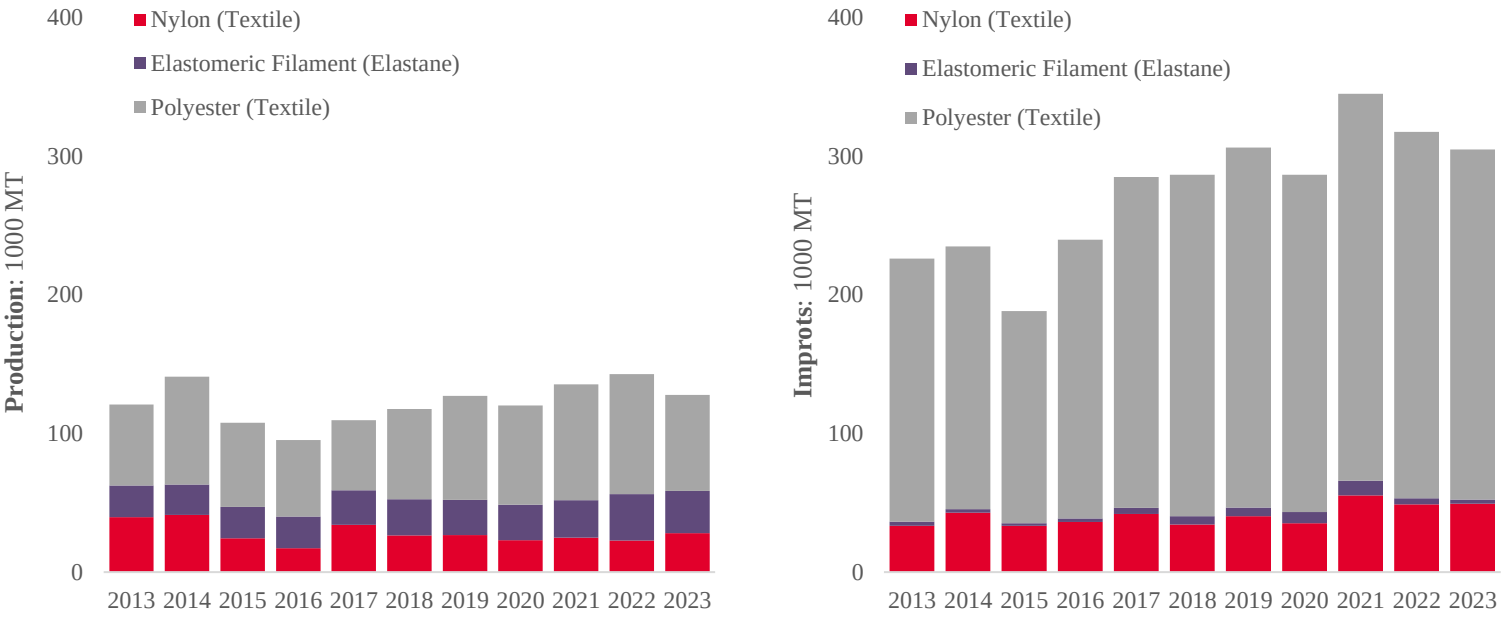
The demand for cotton-made fabric and clothing is income-elastic, meaning that consumption of these goods is sensitive to income variations. In turn, increased demand for clothing (retail) leads to increased domestic cotton consumption – assuming stable prices for natural and synthetic fibers. In this scenario, the Brazilian Central Bank (BCB) projects a mild economic growth of 2.3 percent in Brazil's Gross Domestic Product (GDP) in 2024, with inflation projections rising from 3.5 to 4 percent. BCB also maintains the economy's basic interest rate (known in Portuguese as *SELIC*) at double digits – 10.5/ year, the world's highest real interest rate, just behind Russia's –, which disincentives overall economic activity.

Brazil's textile industry is supplied by domestically produced cotton and is amongst the world's top ten largest cotton consumers, enabling a steady demand for part of Brazil's production. Post contacts point to two key challenges that should continue affecting domestic consumption. First, foreign e-commerce shopping platforms have strengthened their competition with Brazilian producers in different clothing/fashion segments by offering low-cost products, mostly exported from Asia. This exacerbates the trade deficit experienced by the wider textile industry (including goods produced out of cotton or synthetic fibers), which wrapped up 2023 with a trade deficit of US$ 1.7 billion, according to the Brazilian Textile and Apparel Industry Association (ABIT)/IEMI (a local market intelligence company).

According to Post contacts, cotton also faces significant competition from synthetic fibers. When cotton prices increase, industries are incentivized to switch to synthetic fibers (given their lower costs), although they do not necessarily switch back to natural fibers when prices return to regular levels. According to the Brazilian Association of Artificial and Synthetic Fiber Producers (ABRAFAS), in 2023, Brazil's supply of synthetic fibers (i.e. production and imports of textile-grade nylon, elastomeric filament, and polyester) reached 433 thousand MT. Synthetic fiber supply in 2023 was six percent below 2022, when international cotton prices spiked, but remains 15 percent above a decade ago.

Figures 5 (left) and 6 (right)

Brazil's production (left) and imports (right) of synthetic fibers (2013 – 2023).



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

According to ABRAPA, nearly 15 percent of MY 2024/25 cotton output has already been ginned and 14 percent was subject to High Volume Instrument (HVI) tests, as of August 15th. The association also calculates that approximately 442 farms either hold Better Cotton (BCI) certification already or are in

the process of obtaining the license for the current season. These sites are mostly located in Mato Grosso (63 percent of all farms), Bahia (20 percent) and Goiás (seven percent). Brazil had 366 BCI-certified cotton properties last season (MY 2023/24), which indicates that national producers are increasingly adhering to sustainability and traceability standards as a diversification and value-adding strategy, particularly oriented to export markets. Post contacts report that most Brazilian lint could attain BCI certification, although the remaining producers might not have invested in the necessary procedures yet to obtain the license due to its higher costs.

Brazil also has a voluntary certification protocol, called Responsible Brazilian Cotton Program (*Algodão Brasileiro Responsável – ABR*, in Portuguese). Established in 2012, it is operated by ABRAPA in partnership with BCI and aims to streamline sustainability standards across the cotton agricultural supply chain. ABR is centered in three key sustainability pillars – social, environmental, and economic – in which producers are inspected against nearly 183 items, ranging from labor conditions and waste management to environmental conservation and efficient operations.

In MY 2023/24 (i.e. cotton entering the market in 2023), over 2.55 MMT (11.7 million bales) were ABR-certified. This was equivalent to over 82 percent of Brazil's production, according to ABRAPA, which also estimates that ABR-certified properties harvested 4.6 percent better yields than the national average. As a result, Brazil led BCI's rank in certified cotton production and was responsible for over a third of the world's Better Cotton-licensed output in 2022. ABR certification requires annual, individual farm-to-farm diligence verified by independent, internationally recognized third-party accreditors. Currently, ABR inspections are conducted by the Brazilian Association of Technical Standards (ABNT) and two private institutions (Genesis Certifications and QIMA).

PRICES AND COMMERCIALIZATION

While current cotton prices are less attractive than in 2021 and 2022, they have devaluated significantly less than corn throughout 2023, when farmers fixed their costs for the current season. This incentivized producers, particularly in Mato Grosso, to plant cotton instead of corn. Looking at international prices in New York's ICE Futures, cotton was priced at an average of US$80.08 cents/lb in December 2023, four percent less than in December 2022. In the same period, Chicago's Board of Trade (CBOT) corn prices plunged by 28 percent, from US$650.27 cents/bushel to US$468.82 cents/bushel.

After a boom in international cotton prices between 2021 and 2022, which peaked in May 2022 at nearly US$146 cents/lb due to a more aggressive global demand, prices stabilized in 2023 around US$80 cents/lb - US$87cents/lb. Post contacts acknowledged that cotton is set to offer better margins than other crops, such as corn, despite price reductions over the past months and high production costs.

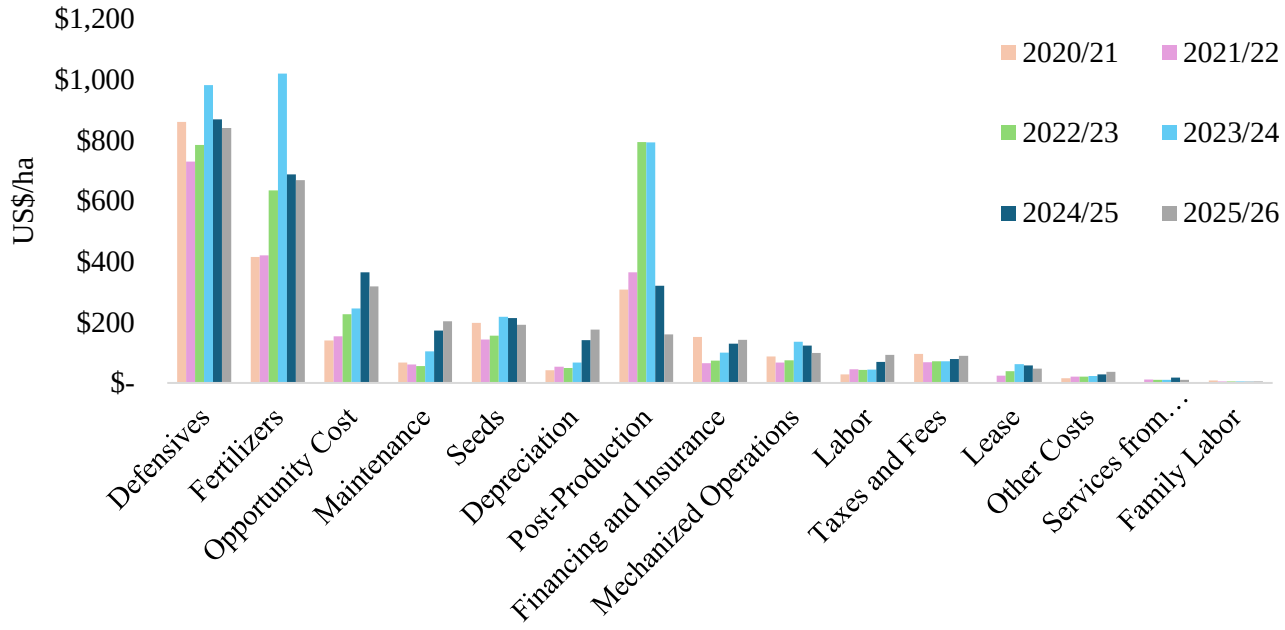
This helps to explain the area increase forecasted for MY 2024/25. With corn prices falling more sharply, Brazilian producers have had little incentive to expand corn area, and those who had the physical capacity (e.g. machinery), planted cotton instead. With more optimistic forecasts for U.S.

cotton, prices may be further pressured down as global supply is projected to exceed demand, according to the latest USDA WASDE numbers.

MY 2024/25 cotton produced in Mato Grosso is expected to have positive profit margins, though smaller compared to previous years amidst price pressures and persistently high production costs. IMEA estimates that MY 2024/25 (i.e. cotton entering the market in 2024) production costs in Mato Grosso at US$ 2,767 per hectare. While the overall effective operational costs have decreased compared to the previous season (US$ 3,562/ha), they remain higher than pre-pandemic levels, pressuring farmers' already tighter margins.

Figure 7

Evolution of cotton production costs in Mato Grosso (MY 2020/21 – MY 2025/26)



Source: IMEA. Chart elaborated by: Post Brasilia (Office of Agricultural Affairs – OAA). Note: Post considers the following exchange rates for the R$/US$ conversion, as reported in IMEA's data: MY 2020/21: R$3.99; MY 2021/22: R$4.84; MY 2022/23: R$5.29; MY 2023/24: R$5.18; MY 2024/25: R$4.95; MY 2025/26: R$5.16.

ABRAPA also reports that commercialization rates for the MY 2024/25 crop (currently being harvested) and for the following season (which will be sowed in early 2025) have reached 67 percent and 20 percent of forecasted volumes, respectively. In Mato Grosso, IMEA indicates that commercialization levels of current and upcoming crops are at 63 percent and 21 percent, as of July 31st.

Table 6

Cotton commercialization in Mato Grosso

	% of commercialization
Season 2023/24 MY 2024/25	66.29
Season 2024/25 MY 2025/26	20.74

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

EXPORTS

MY 2024/25

Post revised up its MY 2024/25 export forecast (i.e. trade between August 2024 to July 2025) to 12 million bales (2.6 MMT) due to three main factors: higher domestic supply resulting from another record production (as covered in the Area, Production and Yield section above); weak local currency (Brazilian Real, R$) exchange rate to U.S. Dollars; and relatively stable global imports outlook.

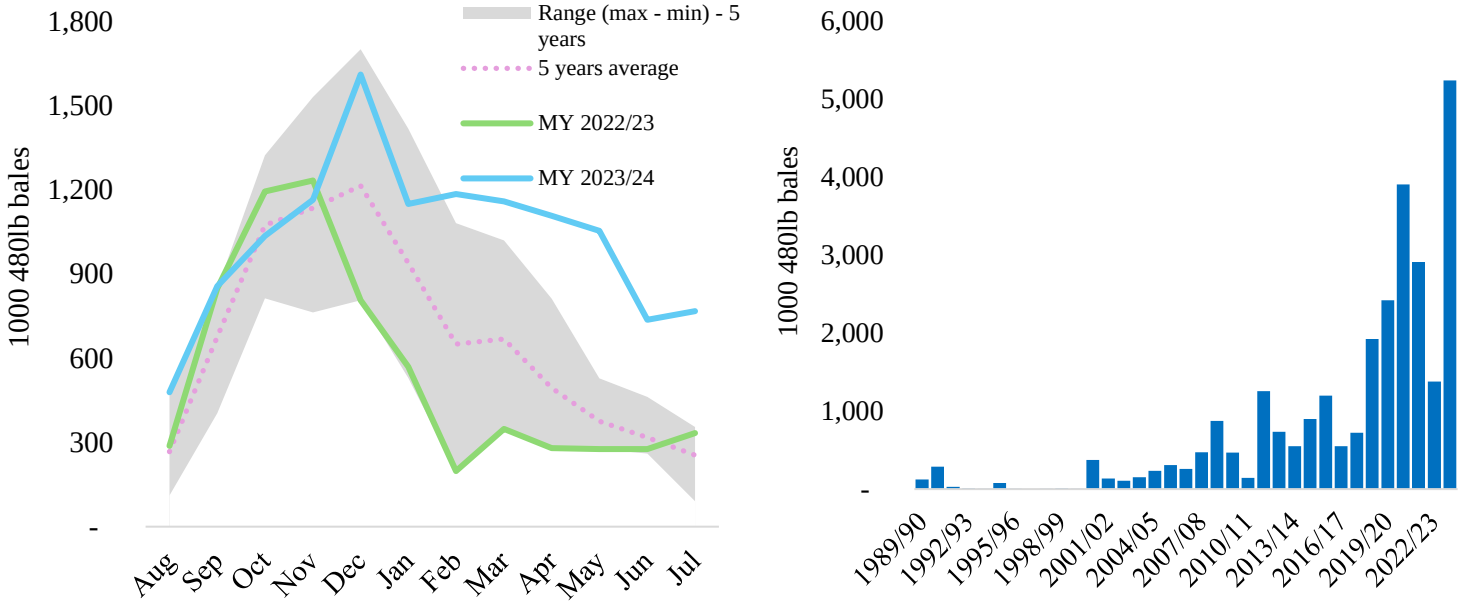
A competitive exchange rate should continue to favor Brazil's commodity exports, including cotton. Since the outbreak of the Covid-19 pandemic in March 2020, exchange rates have been fluctuating around R$5 to US$1. However, since the beginning of this year, exchange rates spiked by 19 percent, from R$4.85/US$1 in early January to a record devaluation of R$5.75/US$1 in the first days of August 2024.

However, two other factors could limit Brazil's cotton export performance next MY. First, beginning stocks in China are forecast to increase by 13 percent to their highest volume in the last seven years – reducing year-on-year import forecasts by a third. Secondly, as the United States is set to supply more cotton to the international market after recent crop losses, the competitive advantage that Brazil has currently enjoyed may be hindered. As mentioned in the previous section, this may pressure international prices down should global demand not grow proportionally to cotton supply, and/or increase ending stocks to a record level.

Between February and June 2024, Brazil exported more cotton than in any other MY for that period. Post contacts reported strong international demand (particularly from China), higher available output from MY 2023/24, and a devaluating Brazilian Real (R$) were the main drivers behind this unusual behavior. Also, local stakeholders mentioned that farmers were more willing to sell available cotton to make room for an incoming record harvest and avoid logistical/storage hurdles.

Figures 8 (left) and 9 (right)

Brazil's MY 2023/24 monthly cotton exports compared to the previous five MYs (left) and Brazil's combined exports between February and June of each MY (right) (MY 1989/90 – MY 2023/24).



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

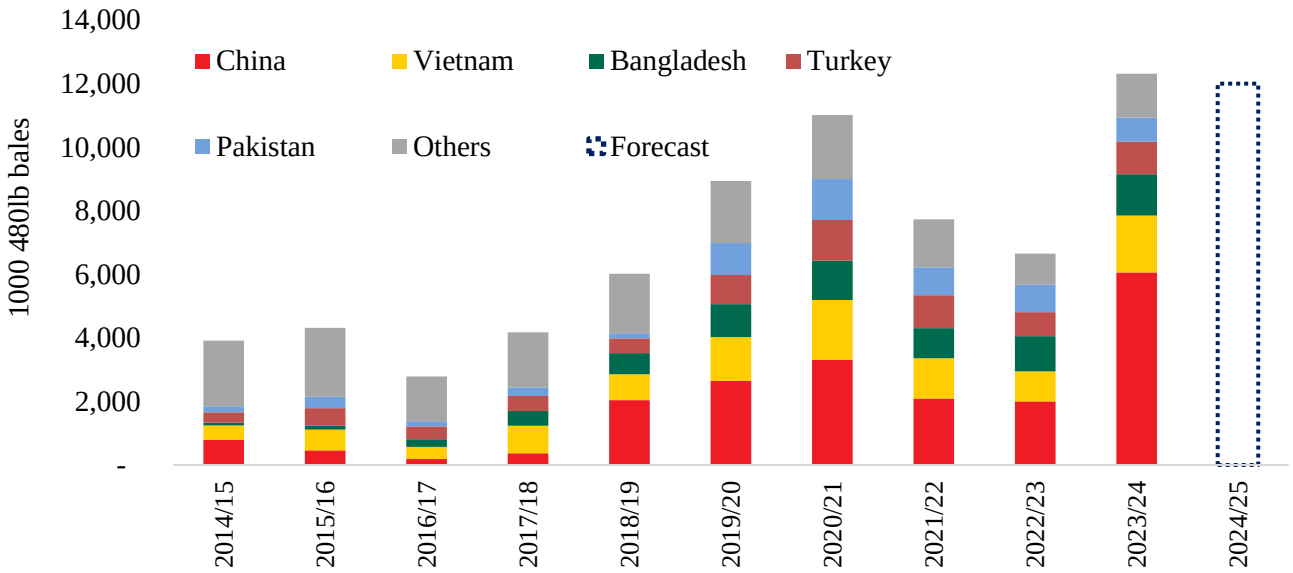
MY 2023/24

Brazil surpasses the United States as the world's largest cotton exporter for the first time

Brazil had record cotton exports at 12.3 million bales (2.7 MMT) between August 2023 and July 2024 – up by 85 percent from the previous MY (6.7 million bales; 1.5 MMT) and 52 percent from the five-seasons historical average (MY 2018/19 to MY 2022/23).

Figure 10

Evolution of Brazil's cotton exports by destination (MY 2014/15 – MY 2024/25)



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

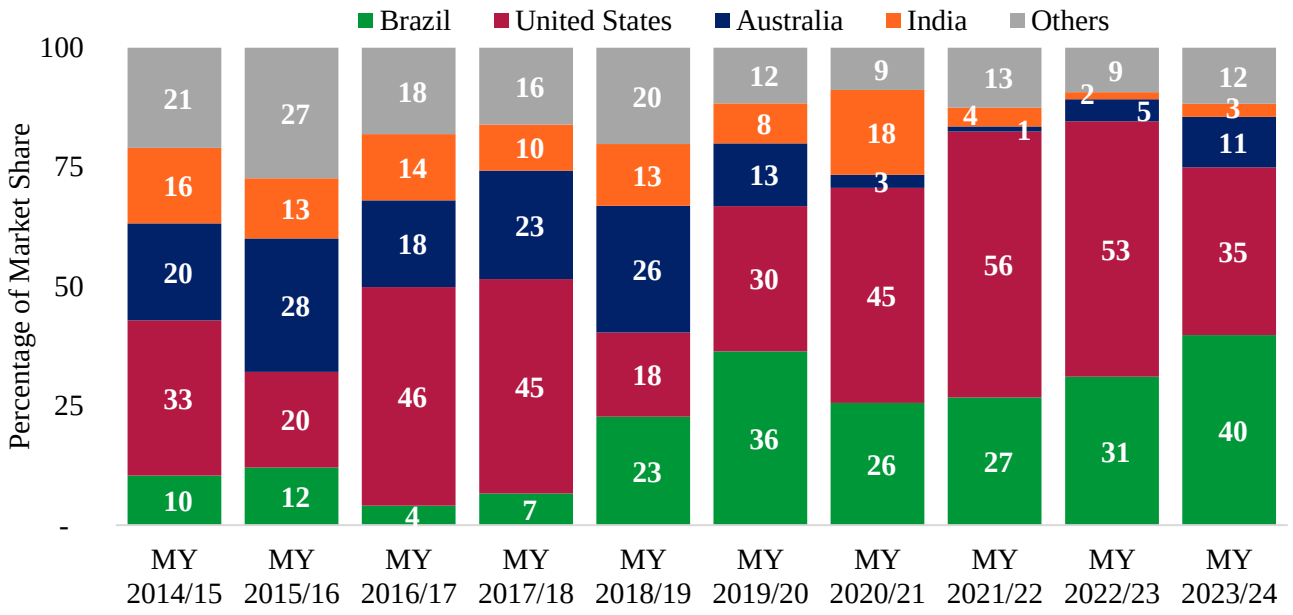
The main reasons for this record are increased Brazilian output, enhanced international demand, and reduced U.S. cotton exports. Brazil harvested a large crop in MY 2023/24, estimated by Post at 14.9 million bales (3.2 MMT). China– the world's largest cotton importer and Brazil's main buyer – imported its highest volume in 11 seasons in MY 2023/24, at 15 million bales (3.3 MMT), up by 140 percent compared to the previous season (6.2 million bales; 1.3 MMT). At the same time, U.S. cotton exports dropped by almost a fifth between MY 2022/23 and MY 2023/24, further strengthening the relative advantage of Brazilian cotton in third markets.

Brazil's cotton exports to China soared, up to 6.1 million bales (1.3 MMT) from two million bales (0.4 MMT) in the past season, a 203 percent increase. As the largest global cotton importer, China meets most of its imported demand with Brazilian and U.S. cotton. In the last decade, Brazil's exports to China boomed sevenfold (from 859 thousand bales in MY 2014/15 to 5.9 million bales in MY 2023/24). In this period, U.S. exports to China also increased, but by less than double (from 2.9 million bales to 5.7

million bales). While both the United States and Brazil secured larger shares of China's cotton import market at the expense of lower Australian and Indian export volumes, competition is likely to continue increasing as they are the two undisputed suppliers of China's cotton demand.

Figure 11

Evolution of market share of China's imported cotton market, by the main suppliers (MY 2014/15 – MY 2023/24).



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

As the relevance of China as a key bilateral partner grows, Brazil has been consolidating its cotton exports around a handful of markets. The Herfindahl-Hirschman Index (HHI), which measures market share concentration, reached 2,886 points (out of 10,000), indicating a high export reliance in a few countries during MY 2023/24. In addition to a growing concentration of exports to China, Brazil has also increased its international sales to other markets such as Bangladesh, Vietnam, Türkiye, Indonesia, and Pakistan. Combined, these countries represented 45 percent of Brazil's exports, in volume, in MY 2023/24 – almost the same as China (49 percent).

The Port of Santos, 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.

Cotton imports are virtually neglectable. Post adjusted MY 2023/24 imports to six thousand bales (up from the previously estimated five thousand bales), based on data from Brazil's Secretariat of International Trade (SECEX). Post maintains the MY 2024/25 import forecast at five thousand bales.

STOCKS

Post forecasts Brazil's MY 2024/25 ending stocks at 4.8 million bales (one MMT) –a record– due to projected total supply (up by six percent compared to MY 2023/24) outgrowing forecasted total use (down by one percent). For the same reason, Post revised its MY 2023/24 ending stocks down to 3.5 million bales (0.8 MMT) due to higher exports and stronger international demand.

Post may revise ending stocks in the next update depending on the size of Brazil's harvest in MY 2024/25 and to what extent China's higher beginning stocks will reduce its import appetite. Therefore, ending stocks could be revised down if Brazil exceeds its export performance in the current MY (Aug 2024 – Jul 2025) or if yields end up being lower than anticipated.

Table 7

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

Cotton	2022/2023		2023/2024		2024/2025	
Market Begin Year	**Aug 2022**		**Aug 2023**		**Aug 2024**	
Brazil	**USDA Official**	**New Post**	**USDA Official**	**New Post**	**USDA Official**	**New Post**
Area Harvested (1000 ha)	1,600	1,600	1,660	1,660	1,940	1,960
Beginning Stocks (1000 480lb bales)	2,050	2,050	4,008	4,008	3,188	3,501
Production (1000 480lb bales)	11,720	11,720	14,570	14,900	16,700	16,600
Imports (1000 480lb bales)	8	8	10	6	10	5
Total Supply (1000 480lb bales)	13,778	13,778	18,588	18,914	19,898	20,106
Exports (1000 480lb bales)	6,656	6,656	12,300	12,313	12,500	12,000
Domestic Use (1000 480lb bales)	3,114	3,114	3,100	3,100	3,300	3,300
Loss (1000 480lb bales)	0	0	0	0	0	0
Domestic Use and Loss (1000 480lb bales)	3,114	3,114	3,100	3,100	3,300	3,300
Ending Stocks (1000 480lb bales)	4,008	4,008	3,188	3,501	4,098	4,806
Total Distribution (1000 480lb bales)	13,778	13,778	18,588	18,914	19,898	20,106
Stock to Use % (Percent)	41	41	21	23	26	31
Yield (Kg/ha)	1,595	1,595	1,911	1,954	1,874	1,844

Table 8

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

Cotton	2022/2023		2023/2024		2024/2025	
Market Begin Year	**Aug 2022**		**Aug 2023**		**Aug 2024**	
Brazil	**USDA Official**	**New Post**	**USDA Official**	**New Post**	**USDA Official**	**New Post**
Area Harvested (1000 ha)	1,600	1,600	1,660	1,660	1,940	1,960
Beginning Stocks (1000 MT)	446	446	873	873	694	762
Production (1000 MT)	2,552	2,552	3,172	3,244	3,636	3,614
Imports (1000 MT)	2	2	2	1	2	1
Total Supply (1000 MT)	3,000	3,000	4,047	4,118	4,332	4,378
Exports (1000 MT)	1,449	1,449	2,678	2,681	2,722	2,613
Domestic Use (1000 MT)	678	678	675	675	718	718
Loss (1000 MT)	0	0	0	0	0	0
Domestic Use and Loss (1000 MT)	678	678	675	675	718	718
Ending Stocks (1000 MT)	873	873	694	762	892	1,046
Total Distribution (1000 MT)	3,000	3,000	4,047	4,118	4,332	4,378
Stock to Use % (Percent)	41	41	21	22	26	31
Yield (Kg/ha)	1,595	1,595	1,911	1,954	1,874	1,844

Attachments:

No Attachments