COTTON FACT SHEET
BRAZIL

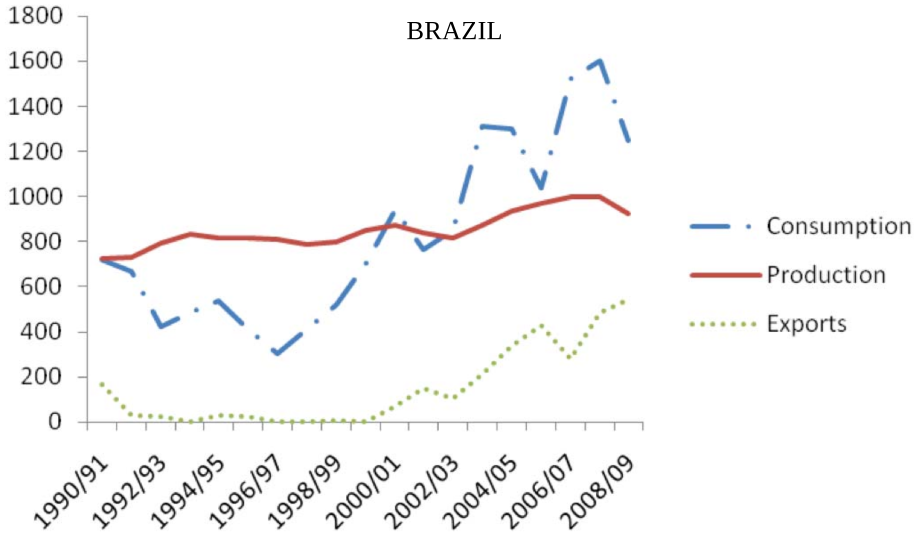
Brazil is the world's 10th largest economy and the largest economy in Latin America with a GDP of USD 1.994 trillion and a GDP per capita of USD 10,551. Brazil's population was recorded at 198.7 million people (2008 estimates).

OVERVIEW

Brazil is the 5th largest producer and consumer (preceded by China (Mainland), India, Turkey and Pakistan) of cotton. Relative to other crops planted, cotton is not a principal crop in Brazil. The main commercial crops in Brazil are corn, soybeans, wheat and sugar cane.

ECONOMICS

Production in 2007/08 totaled approximately 1.6 million tons with an average yield of 1,487 kilograms/hectare. The figures for production and yield declined 5% and 2% from the previous season respectively. The cotton industry employs an estimated 1.3 million people.



According to current data, Brazil is the fourth largest exporter of cotton preceded by Uzbekistan, India, and the USA. Brazil exported 486,000 tons in 2007/08. This is an increase from 283,000 tons from the previous year. Exports have been steadily increasing although they experienced a brief decline in 2006/07. This decline is also apparent in production figures; factors that influence the decline are lower prices and consequently lower profitability, higher operational costs, issues with infrastructure and a reduction in area allocated for farming. Brazil's imports have remained low for the past few seasons, with a serious drop occurring in 2007/08 season. Cotton imports dropped from 112,000 to a mere 36,000 tons. However, Argentina has been a consistent buyer of Brazilian cotton. This is due to fact that trade is greatly facilitated by being a neighboring country. Furthermore they are both members of the MERCOSUR trading block (i.e. no import taxes). In addition, Indonesia and Pakistan are countries that have become frequent buyers of Brazilian cotton. Imports of fabric, yarn and textiles from Asia (particularly India and China) have increased in recent years.

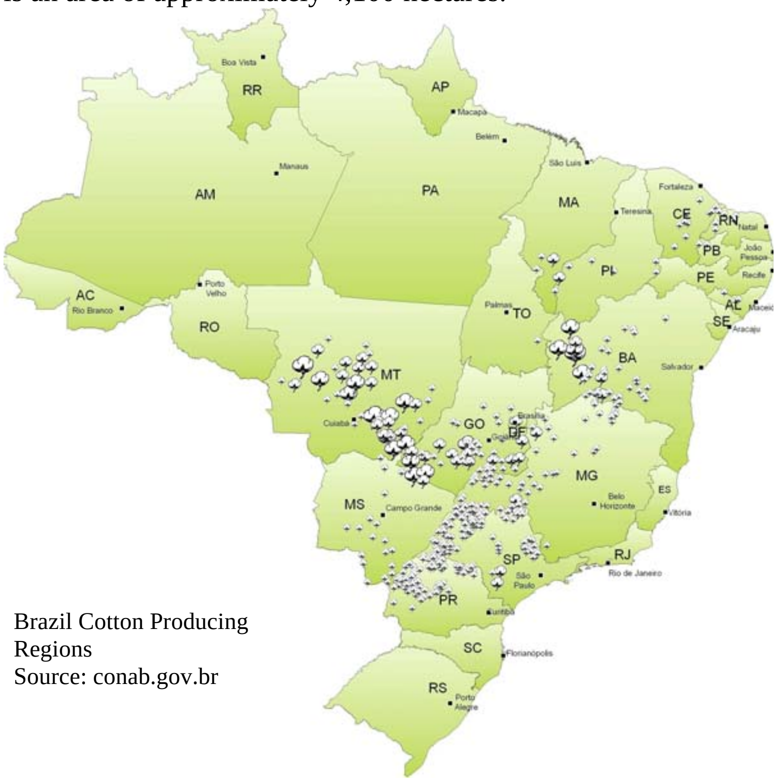
Brazil is in the top ten textile producers in the world with the one of the largest industrial plants. The garments and textile industry is the second largest employer in the Brazilian industry directly providing 1.65 million jobs. The sector is responsible for approximately 17.5% of the manufacturing industry of the country. There are an estimated 30,000 textile companies (this encompasses cotton yarn, fiber, weaving, knitting and cotton sowing). However, more than 50% of the production is done by three companies (Coteminas, Santista Textile and Vincunha). Historically, Brazil has exported 35% of its textile productions, recently however it has decreased. The decline can be attributed to the current global economic crisis (resulting in a drastic drop in consumption from the United States, which is a major

Author: Emeka Osakwe. May 26 2009.

consumer) and unfavorable exchange rates. In 2007/08, Brazil exported a considerable percentage of its textiles (25%) to its neighbor Argentina.

PRODUCTION CHARACTERISTICS

Throughout Brazil there are approximately 1000 large cotton farms. The major cotton producing area is the Brazilian Savannas (Matto Grosso); this area accounts for 96% of total farming area. This is an approximate area of 1 million hectares. The remaining cotton farming takes places in the Northeast. This is an area of approximately 4,100 hectares.



Brazil Cotton Producing Regions
Source: conab.gov.br

The Brazilian Savannas have 900 growers while the Northeast area has 15,000, suggesting a higher degree of mechanization in the Brazilian Savannas. The average farm size is 2000 hectares. Brazilian producers achieve the highest rain fed cotton yields in the world. Approximately 3 to 4% is irrigated. In addition the cotton farming is highly mechanized; pesticides, fertilizers and machines are all integrated into the production process.

There are a number of varieties planted. The main varieties of cotton seed planted in the Brazil Savannas (Matto Grosso) are FMT 701, Delta Opal and in the Northeast the main varieties are BRS 187 CNPA 8H and BRS Araripe and BRS Serido.

Structure of Industry

In the early 1990's the production and commercialization activities were carried out under the organization of state producer associations and led by Brazilian Association of Cotton Producers (ABRAPA). This of course changed and the federal administration intervention in the production and commercial activities changed completely leading to a more market oriented value chain.

Issues

Brazilian cotton production is limited by the increasing cost of pest control, labor, fertilizer and the transportation to the cotton and textile market on the coasts. In short, the majority of issues stem from high input costs. For example, fertilizers on average represent 78% of total expenditures. All these factors seem to indicate that Brazil has not yet reached its productive potential. Another widely mentioned problem was a necessity to improve infrastructure of rails, highways and ports which are linked to decreasing input costs. Additionally Brazil is in the process of implementing programs to suppress the cotton boll weevil which is a major impediment to the production process.

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