

Brazilian cotton index CEPEA/ESALQ soars 68.2% in 2021

After witnessing an increase of 42 per cent in 2020, Brazil's CEPEA/ESALQ Index for cotton soared 68.2 per cent in 2021, closing at BRL 6.4085/pound on December 27. Lower production, firm demand, higher international cotton price, high dollar levels against real, and increase in export parity price are the reasons for the increase in price.

Cotton prices in Brazil have been in an upward trend since mid-2020, and, in 2021, they hit the highest nominal levels of CEPEA (Center for Advanced Studies on Applied Economics) series.

Moreover, high share of production traded beforehand through contracts to export reduced the availability of cotton in the spot market during the year. The export parity price moved up by 48 per cent from December 30, 2020 to December 27, 2021, boosted by the 8.68 per cent dollar increase against real, and the Cotlook A Index, which rose by 47 per cent in the same period.

In December 2021, the Index averaged BRL 6.3537/pound, which is a record in nominal terms. In real terms (IGP-DI November 2021), the average price in December is the highest since April 2011, when it was BRL 8.3193/pound.

Meanwhile, data from CONAB, the National Supply Company, indicate that compared to the previous season, the planted area decreased by 17.7 per cent in the 2020-21 season to 1.37 million hectares. In addition, productivity decreased by 4.5 per cent to 1,721 kg/hectare. So, the total cotton production in 2020-21 season is expected to decline 21.4 per cent to 2.36 million tons.

In 2021, from January to the fourth week of December, Brazil exported 1.94 million tons of cotton, i.e., 9 per cent less compared to the record registered in 2020.