

Brazil's cotton index remains stable in first fortnight of April



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[Cotton prices fluctuated slightly in the Brazilian market](#) in the first fortnight of April, influenced by the dollar and the quotations of the product abroad. Still, the CEPEA/ESALQ Index for cotton stayed around BRL 7.1/pound during the entire fortnight. Between March 31 and April 14, this Index dropped by 0.87 per cent, to BRL 7.1951/pound on April 14.

“In the [national spot market](#), liquidity was constrained by the dispute between agents for price and quality. Many purchasers, majorly agents from processors, stayed away from the market, working with the cotton stocked and/or being delivered (previously purchased). These buyers considered the prices in the spot too high and reported difficulties to pass these values to by-products. Only the purchasers with urgent needs bought cotton in the first half of April,” the Sao Paulo-based Center for Advanced Studies on Applied Economics (CEPEA) said in its latest fortnightly report on the Brazilian cotton market.

Some sellers, mainly farmers, were slightly willing to lower asking prices in order to close new deals. But many farmers did not have urgent sales needs and were focused on the management of developing crops.

As for term contracts, agents were interested in closing deals for delivery in the coming months, majorly for the cotton from the 2020-21 and the 2021-22 seasons. However, the gap between asking and bidding prices constrained deals, which were mostly fixed in real and/or in dollar. Besides the industry trying to ensure raw material for production, trading companies were also interested in buying cotton directly from farmers, the report added.

So far, at least 44 per cent of the 2020-21 Brazilian crop and 26.8 per cent of the 2021-22 crop have been sold, according to the data from the BBM compiled by CEPEA. In the five previous seasons, the average was 86.9 per cent.

In terms of volume, in the 2020-21 season, 1.056 million tons of cotton has been sold. Of this, 488,040 tons has been bought by the domestic market, while 468,570 tons has been sold to the international market; 99,700 tons were sold through flex contracts (exports with an option to sell in the Brazilian market). Of the 2021-22 season crop, 756,860 tons have been sold, mostly

to be exported (418,980 tons) and 255,300 tons in the Brazilian market; flex contracts account for 82,560 tons.

Data from Imea released on April 11 showed that in the province of Mato Grosso, 98.57 per cent of the 2020-21 output, almost 68 per cent of the coming crop and 22.9 per cent of the 2022-23 harvest have been sold.

In a separate report released on April 7, CONAB (Brazil's National Company for Food Supply) estimated the national area with the 2021-22 cotton crop at 1.6 million hectares, stable compared to that reported in March but 16.8 per cent larger than that in the previous season. Productivity is expected to increase by 2.7 per cent compared to that in 2020-21, to 1,767 kilogram per hectare. Thus, the output may be 19.9 per cent higher than the last season, totalling 2.82 million tons. Compared to that estimated in March, productivity and the output were revised up by 0.13 per cent and 0.12 per cent respectively.

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