

Brazilian cotton prices drop in August amid increased availability



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Insights

- In August, cotton prices in Brazil fell below BRL 4 (~\$0.71) per pound, driven by increased domestic supply, lower international prices and reduced export parity.
- The CEPEA/ESALQ cotton index dropped by 4.65 per cent, closing at BRL 3.8863 (~\$0.69) per pound on August 30.
- The 2023-24 cotton harvest is progressing well, with 76.1 per cent of the area harvested.

In August, cotton prices in Brazil experienced a notable decline, falling below BRL 4 (~\$0.71) per pound by the end of the month. This downward trend was largely driven by a higher availability of cotton in the domestic market, alongside a decrease in international prices and export parity. As a result, more attractive prices for consumers have led to an increase in liquidity for prompt-delivery trades, as per the Centre for Advanced Studies on Applied Economics (CEPEA).

Over the period from July 31 to August 30, the CEPEA/ESALQ cotton index (with payment in eight days) recorded a 4.65 per cent decrease, closing at BRL 3.8863 (~\$0.69) per pound on August 30.

The 2023-24 cotton crop harvest in Brazil is progressing well. According to National Supply Company (CONAB), by August 25, harvesting activities had been completed in Mato Grosso do Sul, and 76.1 per cent of the total area had been harvested nationwide. In Mato Grosso, Brazil's largest cotton-producing state, dry and warm weather conditions have been favourable for the ongoing harvesting activities, CEPEA said in its latest fortnightly report on the Brazilian cotton market.

In August, Brazilian cotton exports also saw a significant drop. Over the 17 production days, 77.7 thousand tons of cotton were shipped, marking a 53.5 per cent decrease compared to the 167.2 thousand tons exported in August 2023. However, the daily export average slightly increased by 0.77 per cent to 4.57 thousand tons, compared to the 4.54 thousand tons per day in the same month last year, according to data from the Secretariat of Foreign Trade at the Ministry of Economy (SECEX/ME).