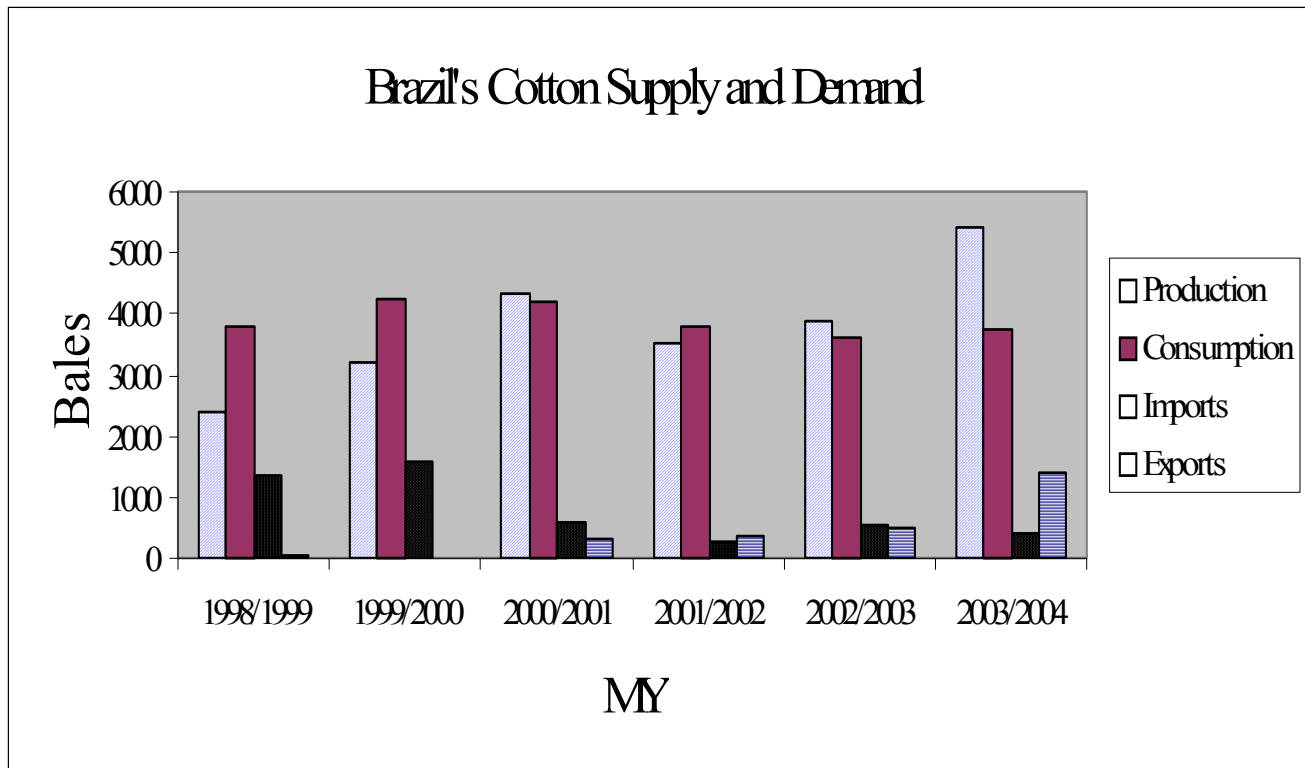




Cotton: World Markets and Trade

Brazil's Cotton Exports Rising as Domestic Industry Recovers



Brazil's marketing year 2003/04 (August-July) cotton exports are forecast at 1.4 million bales, nearly a 290 percent increase over 2002/03, due mainly to rising production. At the same time, the export forecast has been reduced 350,000 bales from last month due to timing problems with export deliveries. With over 60 percent of Brazil's cotton crop harvested in June and July, it will be difficult to ship the cotton before August 1.

Brazil's apparel and textile industry is heavily dependent on the Brazilian economy, with 95 percent of the production used domestically and 5 percent exported. The Brazilian industry is currently recovering from several years of decline, although not necessarily growing. Domestic consumption is raised 150,000 bales in 2002/03 and 50,000 bales in 2003/04 this month due to revised data from the Brazilian government. The industry expects that domestic consumption of apparel and textiles will grow about 3 percent a year in the future, while textile exports, although small relative to the total market, are expected to grow about 20 percent per year.

Brazil reports its cotton exports at 748,000 bales from the Aug- Feb 2003/04 period, while its projected imports are expected to reach 400,000 bales for the August-July season. Industry sources note that cotton imports, particularly from the U.S., will remain an important component of the Brazilian apparel and textile industry due to several factors: 1) cotton is imported generally on a seasonal basis in the January-March period before the new crop becomes available; 2) interest rates are higher in Brazil, making imports easier to finance than holding stocks of domestic production; 3) availability of U.S. coarse count cottons suitable for denim production; and 4) reliability of the U.S. as a supplier.