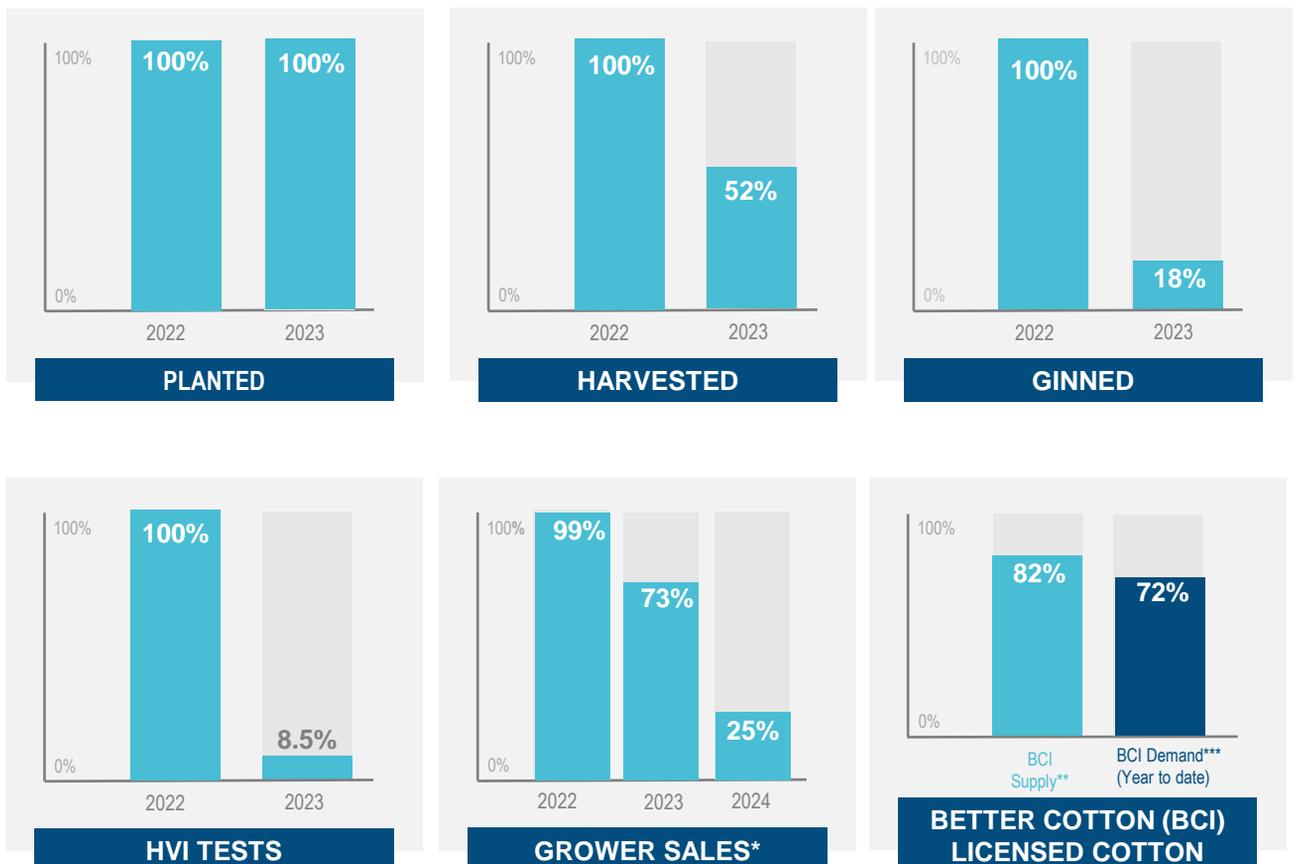


1. HIGHLIGHTS

- Harvesting is underway in Brazil's cotton fields: **52% of the total area has been harvested as of Aug 10th**.
- From August 2022 to July 2023, Brazil exported **1.45 million tonnes**, with a total value of US\$ 2.83 billion.
- Shipments for the 2023/2024 market year* (Aug/23 to Jul/24) are expected to reach 2.34 million tonnes, an **increase of 61%** compared to the current market year.
- **Cotton logistics** in Brazil is getting certified: read more.

*Market Year: Aug-23 to Jul-24

2. STATUS OF BRAZIL'S COTTON CROPS



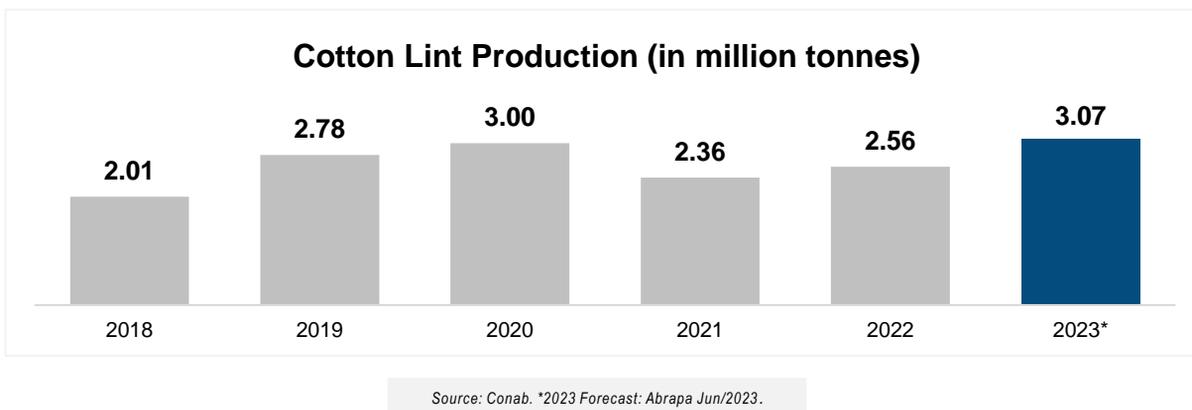
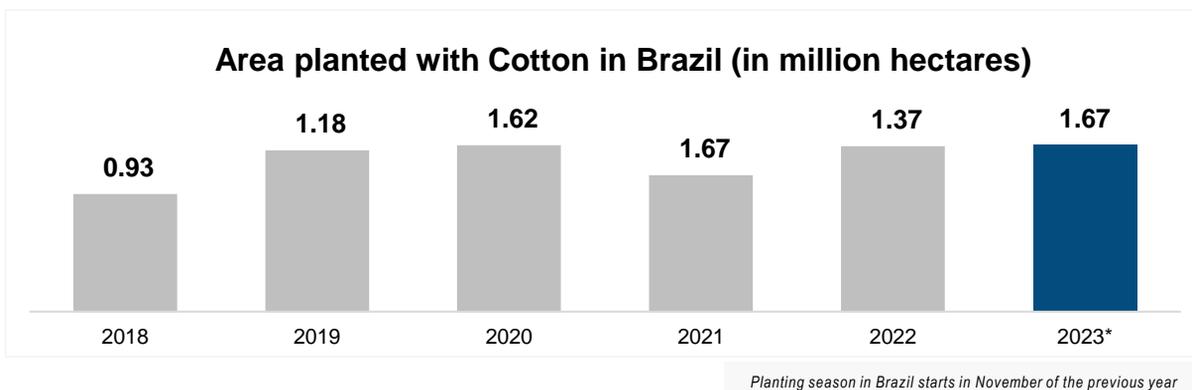
* Percentage of cotton sold by grower to merchant

** Better Cotton (BCI) production in Brazil as a % of total Brazilian cotton production (2022 Crop year)
*** Better Cotton (BCI) units claimed by buyers for the marketing year to date, as a % of total Brazilian cotton production (Market Year: Aug-22 to Jul-23)



3. 2023 CROP

In June, Abrapa updated the planted area and volume forecasts for the 2023 crop. The production estimate is 3.07 million tonnes from an area of 1.67 million hectares.



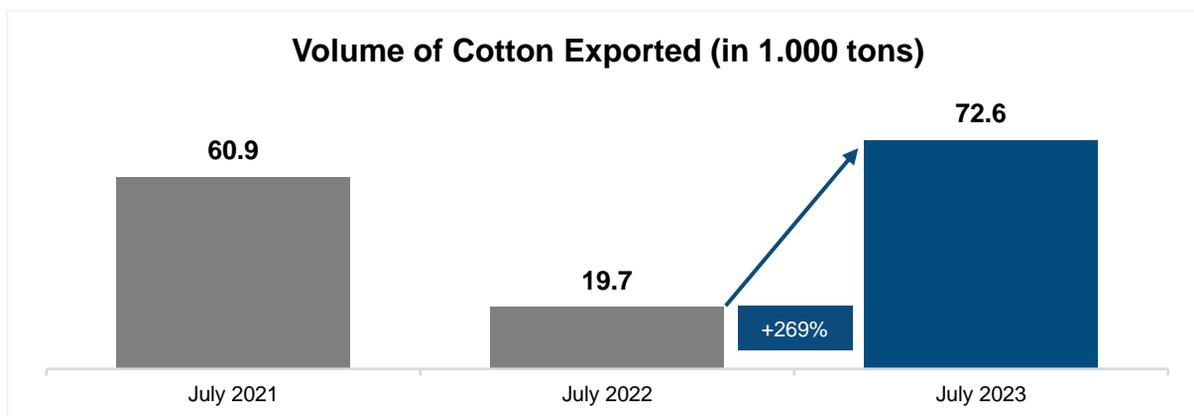
Abrapa's updated figures show that the average yield will be 1,840 kg of cotton per hectare in 2023, an increase of 18.9% over the previous period.

Brazilian Cotton Harvest								
PRODUCTION (million tons)	2018	2019	2020	2021	2022	2023*	22 vs. 21 (%)	23 vs. 22 (%)
SEED COTTON	5.01	6.94	7.37	5.79	6.27	7.45	8.3%	18.8%
LINT (COTTON)	2.01	2.78	3.00	2.36	2.56	3.07	8.6%	19.8%
YIELD (kg/ha)	2018	2019	2020	2021	2022	2023*	22 vs. 21 (%)	23 vs. 22 (%)
SEED COTTON	4,267	4,292	4,427	4,230	3,921	4,467	-7.3%	13.9%
LINT (COTTON)	1,708	1,717	1,802	1,721	1,547	1,840	-10.1%	18.9%

Source: Conab *Forecast: Abrapa (jun 23)

4. EXPORT SHIPMENTS

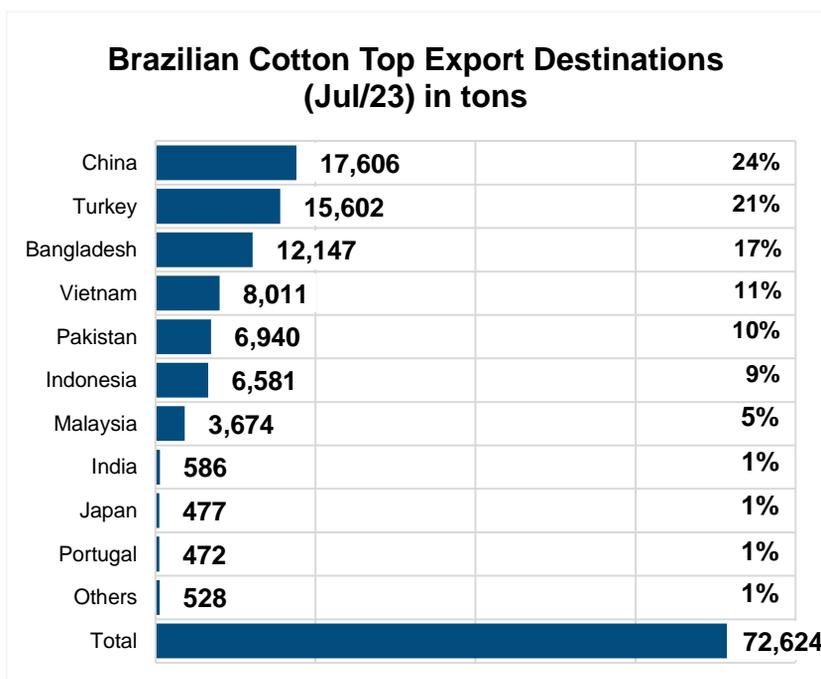
Brazil exported **72.6 thousand tonnes** of cotton in Jul/2023. This volume is **269% above** the amount shipped in Jul/2022. The monthly shipments of Brazilian cotton resulted in revenues of **US\$ 132.1 million**.



Source: ComexStat – ME, Aug/2023

China, Turkey and Bangladesh were the main destinations for Brazilian cotton exports in July, totaling 45.3 thousand tonnes.

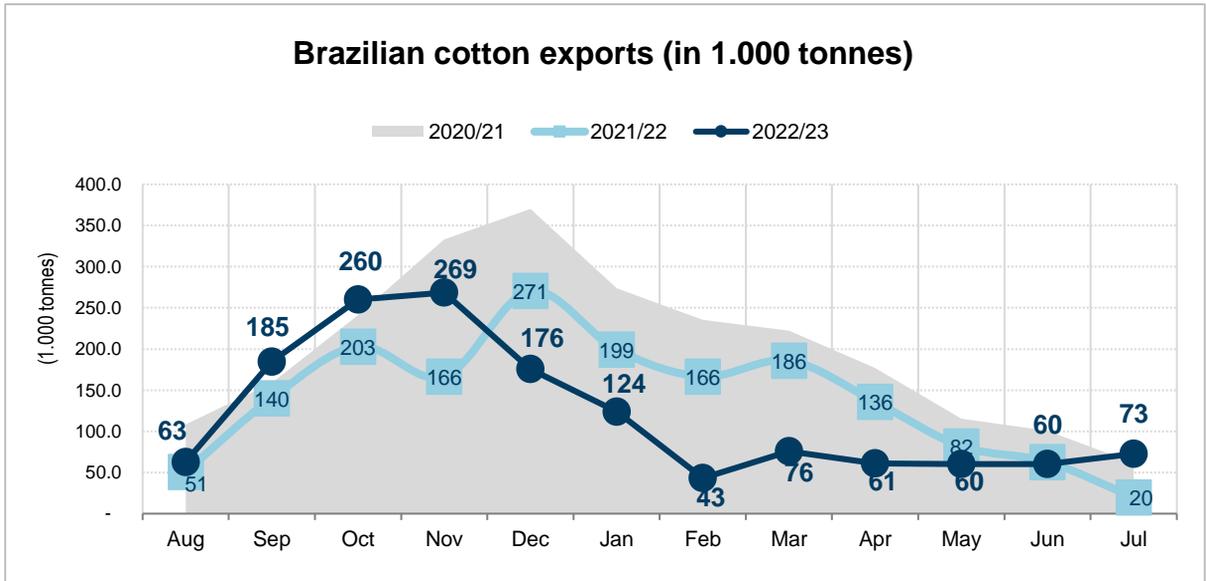
Together, the three countries accounted for **62%** of the entire volume for the month.



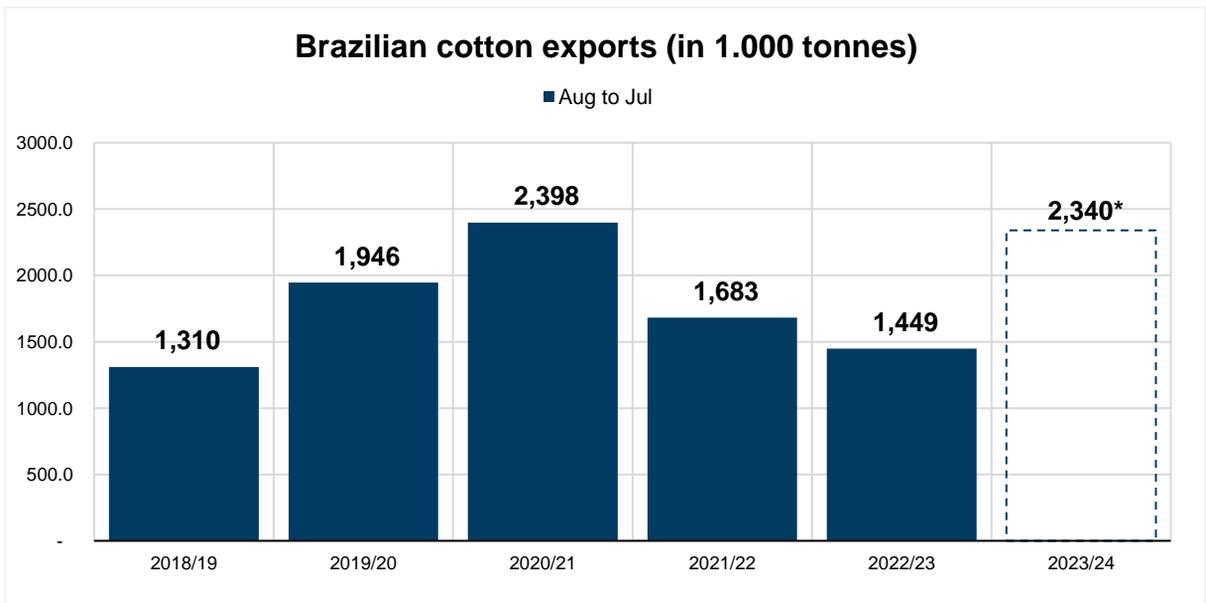
Source: ComexStat – ME, Aug/2023



In the 2022/23 market year analysis, the volume of Brazilian cotton shipped from August 2022 to July 2023 is the **fourth largest** on record.



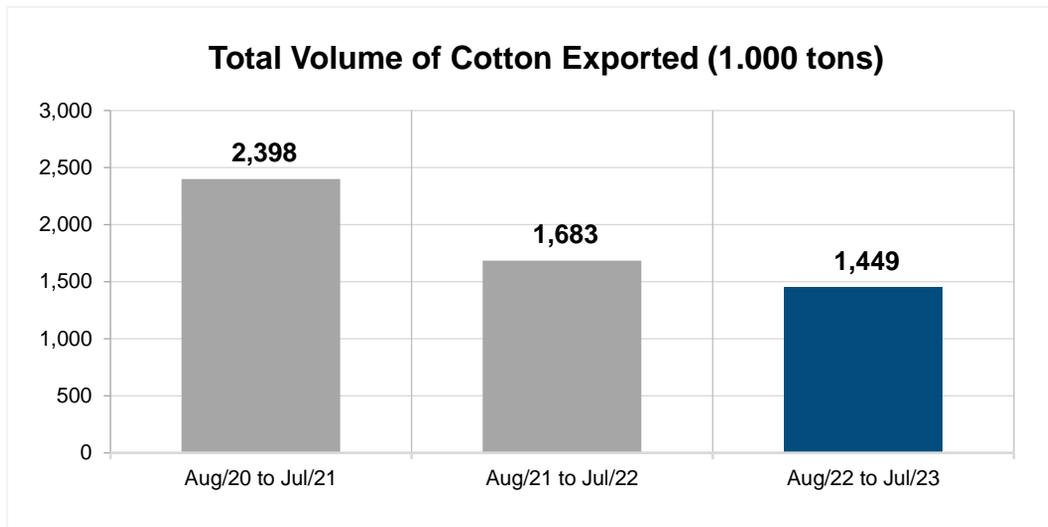
Source: ComexStat – ME, Aug/2023 Market Year: August to July



Source: ComexStat – ME, Aug/2023 Market Year: August to July. * Forecast



In the twelve months of the market year (Aug/22 to Jul/23), Brazil shipped **1,449 thousand tonnes** of cotton. This volume is **13.9% below** the amount recorded for the same period in 2021/2022. This year, exports generated revenues of **US\$ 2.8 billion**.



Source: ComexStat – ME, Aug/2023

China remains as the main buyer of **Brazilian cotton**. China imported 413.3 thousand tonnes between August and July and thus accounted for **30%** of all the volume exported up to now.

One of the highlights of this market year was **Bangladesh**, which moved from the fourth to the second largest buyer of Brazilian cotton. In comparison to the previous market year, Bangladesh increased its imports by 36.4 thousand tonnes.

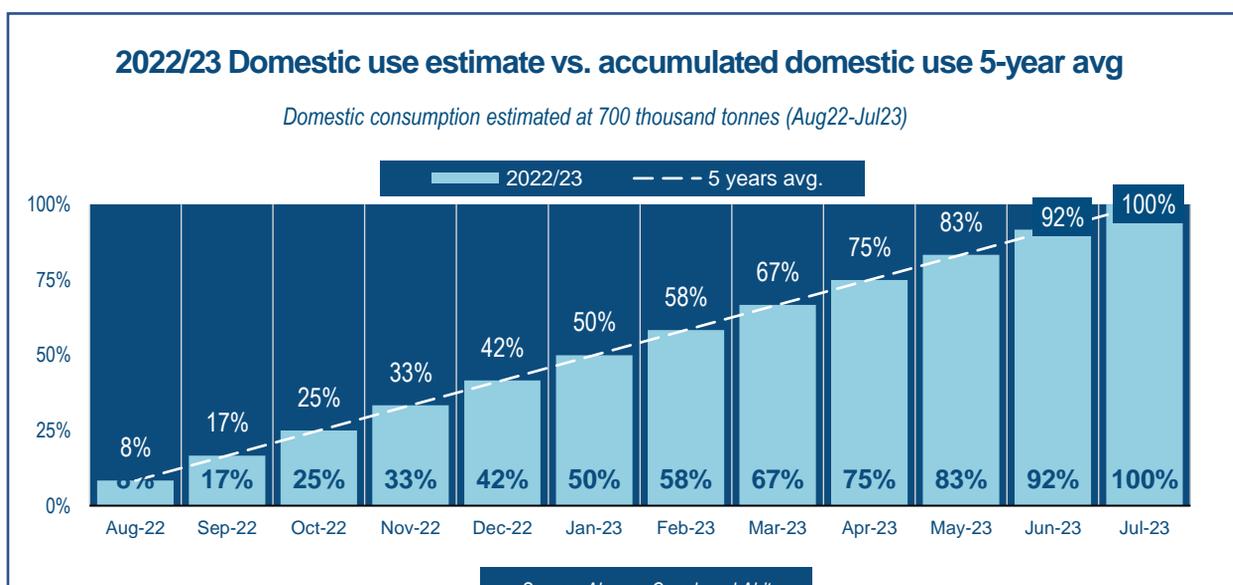
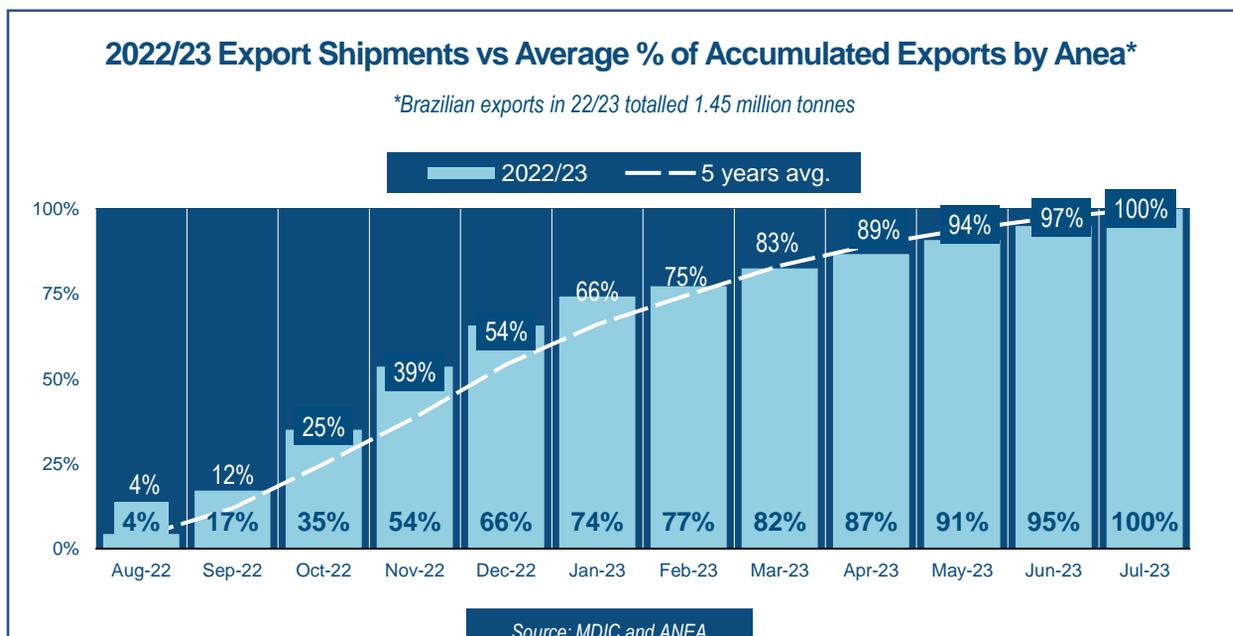
Brazilian Cotton Top Export Destinations (Aug/22 to Jul/23) in tons

China	431,315	30%
Bangladesh	242,291	17%
Vietnam	209,165	14%
Pakistan	187,888	13%
Turkey	165,234	11%
Indonesia	83,797	6%
Malaysia	53,573	4%
South Korea	28,489	2%
India	16,525	1%
Thailand	9,150	1%
Others	21,855	2%
Total Geral	1,449,282	

Source: ComexStat – ME, Aug/2023

5. 2022/23 MARKET YEAR EXPORTS AND DOMESTIC USE

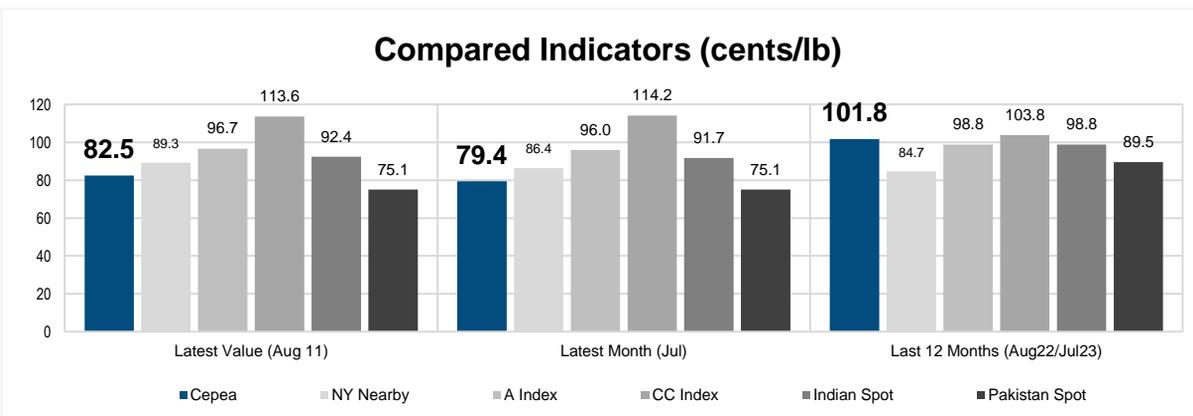
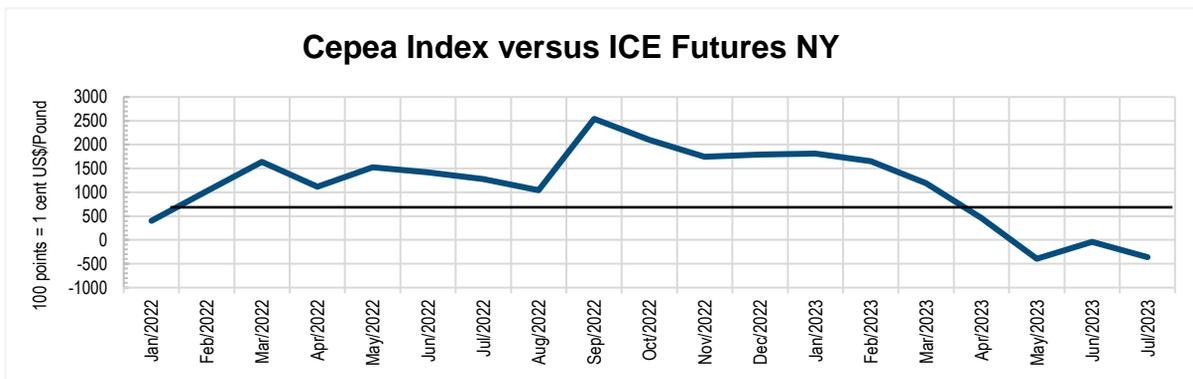
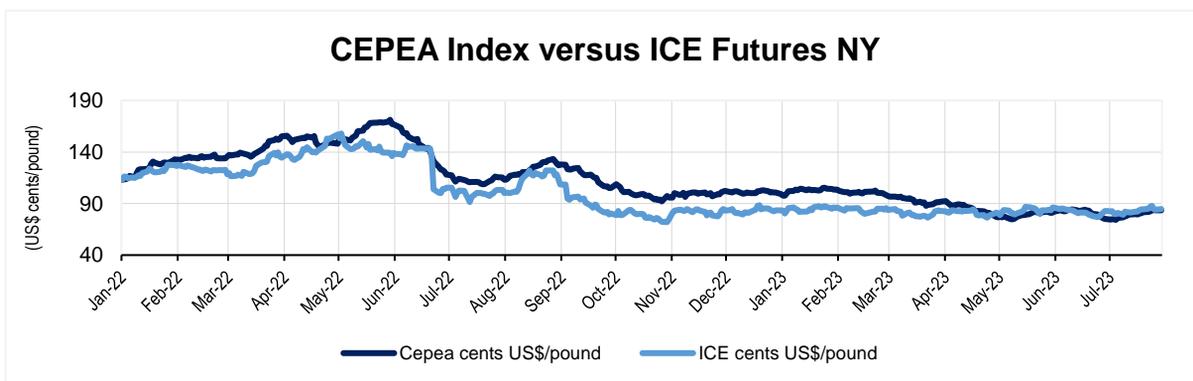
The charts below compare the performance of the current market year (2022/23) with Brazilian cotton exports over the last five years and the average volume consumed domestically in Brazil also over the last five years.





5. PRICES

In Jul/2023, the *Cepea Index** rose 11.8% and ended the month at 83.46 cents (US\$ cents/pound). The **average** spread between Brazilian and international prices ended July at **minus 360 points**. The increase in domestic supply at harvest time usually causes a negative spread for the third quarter of the year for domestic prices.



Source: Cepea/USP and ICE Futures, Aug/2023

The *CEPEA Index is the most commonly used price index for domestic cotton market prices in Brazil.



7. MADE IN BRAZIL

Data and information about Brazilian cotton production

Cotton logistics in Brazil is getting certified

After the positive results of the Responsible Brazilian Cotton (ABR) protocol, Abrapa's good practices and socio-environmental certification have come to the export facilities, specifically **Port or Inland Warehouses**. The aim is to ensure that Brazilian cotton reaches its final destination with a high standard of quality.

To achieve this, a requirement has been established whereby a protocol with 127 check items has to be met. **The focus is on certifying Port Warehouses that operate in Brazilian ports and also Inland Warehouses. These are specialized companies that are responsible for stuffing (loading) the cotton bales into containers for export either in port areas or inland (see box).**

With the priority on quality control, the ABR-Log protocol seeks to prevent bale packaging tears, and contamination with dirt or oil to the bales.

The certification process begins when the cotton leaves the ginning facility en route for shipment at the **Port or Inland Warehouses**, here the cargo is transferred from the truck directly to the designated export container, in a process called 'Cross Docking'. Once the cotton cargo is stuffed, the containers are transferred to the **Port Container Terminals** to be loaded to the vessel and be sent to its final destination.

Joining the ABR-Log protocol is voluntary and was started this year. Four loading facilities have already signed up to the protocol. The protocol was developed by Abrapa in partnership with the National Cotton Shippers Association (Anea).

To obtain certification, there must be a minimum level of 80% compliance with the protocol's items. The certification issued in 2023/24 will be valid from June 2023 to May 2024.



Protocol Criteria

Social Criteria

Employment contract, Prohibition of Child Labour, Prohibition of Forced Labour, Freedom of association, Prohibiting discrimination against individuals, Health and safety in the workplace

Environmental Responsibility

Environmental care, Care and management of water resources, Oil disposal management, Rational use of water, Rational electricity usage

Best Practices

Arrival checklist for trucks carrying bales, Bale codes scanned to ensure 100% traceability, Follow the customer/buyer's instructions for the stuffing plan, Identify damaged bales and storage location

Brazilian logistics step by step

1. Cotton is pressed into bales at the farms, often at the cotton gins of the Brazilian Producer.
2. Then, the bales are loaded into trucks and transported to the **Port or Inland Warehouses**.
3. Upon arrival at the **Port or Inland Warehouses**, the bales are unloaded from the trucks.
4. The **Port or Inland Warehouses** receive the cotton bales and use a method called Cross Docking to transfer the cargo into the designated shipping containers.
5. Following this, it is then inspected for sanitary and technical purposes by the Brazilian Ministry of Agriculture.
6. The containers stuffed with Brazilian cotton are ready to be shipped and are transferred to the **Port Container Terminal** approved for export and can be tracked by buyers.

