

BRAZIL

The local market has lately presented a slightly weaker appearance, and the *Esalq* Index of spot values drifted lower either side of the prolonged Carnival weekend. The value on March 1 was R\$271.18, equivalent to around 87.75 US cents per lb. Despite that modest easing of domestic values, and the further advance of world prices during the past week, the local market remains well above international parities.

The recent pattern of business registered with the *Bolsa Brasileira de Mercadorias* is indicative of the prevailing disparity. As indicated in the accompanying table, which reflects registrations over the past two weeks or so, the emphasis has been on domestic or 'flex' registrations, whereas those for export have been minimal (though a good volume of forward 'flex' contracts have been registered in 2018 crop cotton).

Although local prices continue to trade at a premium to international levels, the net returns to farmers have been eroded by the extremely high freight rates that have to be paid at this time of year, due to the movement of huge grain crops.

Forecasts of the cotton crop remain broadly maintained. Next week, CONAB will release its March assessment of all grain and oilseed 2016/17 crops. Frequent rains in Mato Grosso have kept some farmers concerned at delays to completion of the soybean harvest (permitting the second cotton crop, or *safrinha*, to go into the ground).

The US dollar has remained weak across the whole *Mercosul* area, and particularly so in Brazil. This has been to the detriment of the apparel business for Brazilian manufacturers. During the past year, the balance of trade in finished textile goods has deteriorated considerably, with exports down 45 percent and imports up 32 percent.

BBM registrations

1000s tonnes	crop		
	2016	2017	2018
Local market	17.7	17.5	0.8
Export	-	0.8	2.0
Flex	2.5	7.0	30.6
TOTAL	20.2	25.3	33.4

SPAIN

The production outlook for the season ahead is viewed with a degree of optimism. Farmers obtained generally favourable returns from the 2016/17 campaign, and are thought likely to devote a few thousand hectares more to the next crop. Barring adverse weather developments or pest attacks, yields may also show some improvement. Although reservoirs are understood to be less well filled than a year ago, since rain has not been especially plentiful this winter, water reserves should be sufficient to assure irrigation during the season ahead.

It is estimated that as much as 25 percent of the prospective lint outturn may already have been committed from ginners to merchants. Demand from customary buyers has been in evidence at prices around 350/400 cent points 'on' December futures, ex-gin, basis Middling 1-3/32" FCA gin yard.

EUROPEAN MARKETS

Italy

The market has been extremely quiet of late, and little new business has recently come to light. Some mill buying interest has been received for Indian Shankar-6 staple 1-1/8", but buyers' price ideas have precluded the confirmation of any business.

Germany's raw cotton imports

During 2016, raw cotton imports into Germany totalled 25,725 tonnes, 3,446 tonnes less than in 2015 and 5,365 fewer than in 2014. The principal sources of supply were Kazakhstan at 6,712 tonnes and the African Franc Zone at 6,152. Israel was the next origin (3,891), followed by the US (1,699). In the last two years, there has been a steady drop in imports originating from Uzbekistan and Greece.

Germany

Raw Cotton Imports Jan - Dec (in tonnes)

	2014	2015	2016
Kazakhstan	7,070	6,219	6,712
AFZ	6,721	8,674	6,152
Israel	3,020	3,101	3,891
US	2,915	2,341	1,699
Brazil	841	771	856
Uzbekistan	2,361	964	573
Sudan	929	1,061	499
Greece	2,666	1,447	447
Central Asian	568	972	323
Egypt	476	839	199
Others	3,524	2,782	4,375
Total	31,090	29,171	25,725

Source: Bremen Cotton Report

