

USDA Foreign Agricultural Service

# GAIN Report

Global Agricultural Information Network

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## Mexico

**Post:** Mexico

### Cotton Production Up as Domestic Consumption Drops

**Report Categories:**

Cotton and Products

Biotechnology - GE Plants and Animals

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**Report Highlights:**

The Post/New Marketing Year (MY) 2012/13 total Mexican cotton production estimate is 2 percent higher than USDA Official data due to a higher than previous estimated area harvested. The MY 2012/13 internal consumption estimate has been revised substantially downward (26 percent) as imports of clothing and textiles from China have increased with the removal of protective duties as of January 1, 2012.

**General Information:**  
**COTTON**

The Post/New Marketing Year (MY) 2012/13 total Mexican cotton production estimate is 2 percent higher than USDA Official data due to a higher than previous estimated area harvested. The MY 2012/13 internal consumption estimate has been revised substantially downward (26 percent) as imports of clothing and textiles from China have increased with the removal of protective duties as of January 1, 2012.

**Production:**

The Post/New MY 2012/13 total Mexican cotton production estimate was increased slightly to 944 thousand bales due to a higher than expected harvested area in relation with the USDA Official data.

The Post/New MY 2011/12 total Mexican cotton production estimate was revised in 1,180,000 bales, 6% lower than USDA Official estimates, according to the official data of SIAP, SAGARPA. The MY 2010/11 total cotton production estimate was updated according with the official data of SIAP, SAGARPA to 710,000 bales.

Cotton yields vary significantly among the major-producing areas in Mexico. An average cotton yield for MY 2012/13 is expected to be 6.2 bales/hectare (ha). The highest yielding area is La Laguna with 7 bales/ha while the lowest yielding area is expected to be South Sonora with only 4.3 bales/ha. Although cotton growers in northern Mexico have adopted the use of genetically-modified (GM) seed varieties, other factors, such as weather and use of technology, can explain differences in production levels. For example, in South Sonora and Tamaulipas cotton production is in non-irrigated areas, which significantly reduces yields. On the other hand, different pests affect the regions in a differential way, for example, cotton fields of Tamaulipas have been declared free of pink worm, which still can have impact in other states.

**Consumption:**

The Post/New MY 2012/13 total domestic cotton consumption has been revised downward to 1.6 million bales (each bale weighs 480 pounds) - a decrease of 13 percent from USDA/Official data. This decrease is expected to be driven by a big jump in imports from China as many protective duties were eliminated as of January 1, 2012. For MY 2010/11 and MY 2011/12, total cotton demand estimates were revised from the USDA/ Official data reflecting updated data from industry sources, an increase of 7 and 1 percent respectively from previous estimates.

Domestic cotton consumption has been decreasing. According to the INEGI data the textile Industry have been reducing their contribution to the GDP in Mexico, from 3.4 % during the first three quarters of 2011 to 3.2% for the same period of 2012. The rapid rise, and equally precipitous fall, in cotton prices during 2011 have caused disruptions across the supply chain. But perhaps more importantly, expected price volatility in 2013 will likely impact cotton demand and encourage higher usage of man-made fibers.

**Trade:**

The Post/New MY 2012/13 total cotton import estimate has been revised downward (26 percent) from

USDA/Official data to 935,000 bales, based on preliminary trade figures from the Global Trade Atlas (GTA). We also take into account a considerable drop in domestic consumption from the Mexican textile industry resulting from a boost in imported textiles from China. Exchange rate fluctuations will play a key role in determining the amount of imported cotton as well. The United States should remain the main supplier to Mexico and account for 90 percent of total cotton imports. The Post/New total cotton import estimates for MY 2010/11 and MY 2011/12 estimates are 1.3 and 1.01 million bales, 8 and 1 percent higher than USDA/Official figures, respectively.

The Post/New Mexican cotton export estimate for MY 2012/13 was increased to 408,000 bales (25 percent higher than USDA/Official data) as the Mexican cotton industry continues to make inroads in new markets in Central and South America and reacting to the reduction in the domestic consumption. Export estimates for MY 2011/12 were revised downward from USDA/Official estimate to 216,000, bales. MY 2010/11 export figures remained unchanged.

**Stocks:**

Post/New MY 2012/13 ending stocks were revised downward to 527,000 bales (34 percent lower than USDA/Official estimate) due, primarily, to a reduction in domestic production and imports. The Post/New MY 2010/11 and MY 2011/12 ending stock estimates have been revised downward from USDA/Official estimates due to higher-than-previously anticipated imports and a higher-than-expected domestic consumption. This data reflects the more recent information from the industry.

**Cotton Prices:**

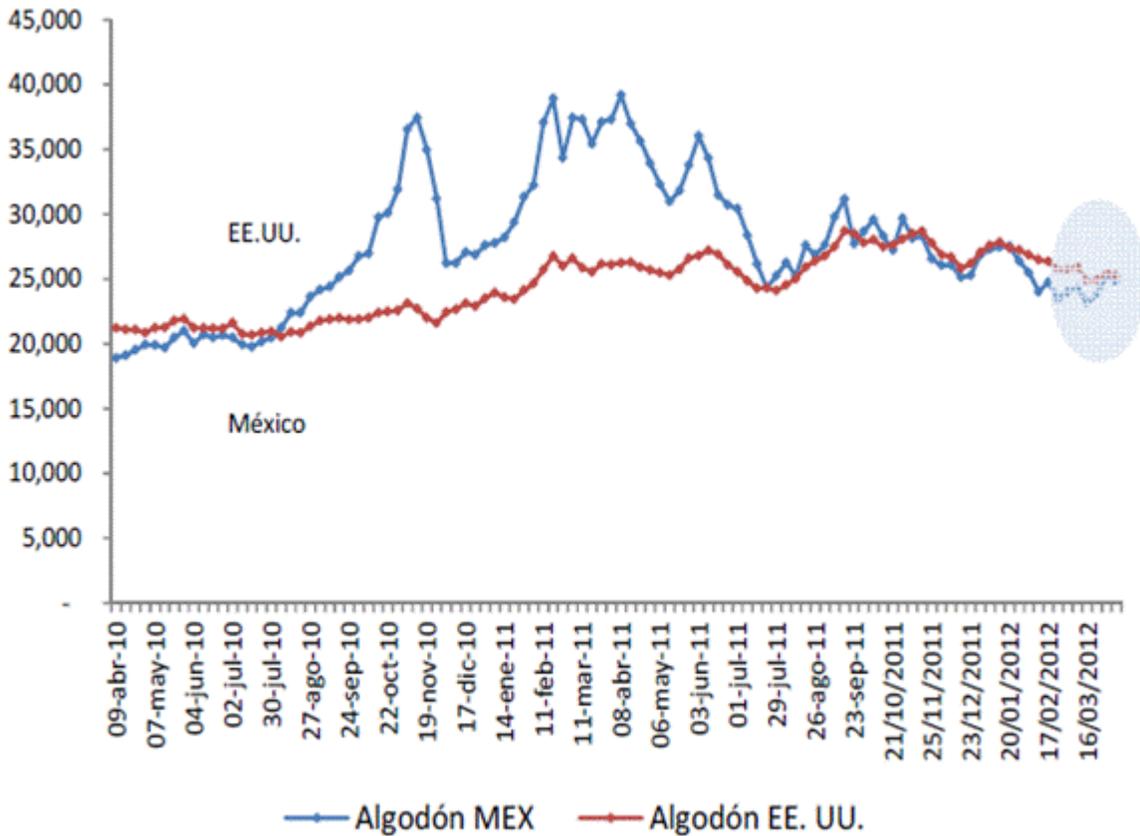
The SAGARPA Agribusiness Under-Secretary (SFA) reports on cotton and other commodities prices on a weekly basis. Cotton prices in Table 1 are for the annual average domestic market in Mexico per metric ton. The prices presented in Figure 1 show the differences of weekly prices in Mexico and in the United States from 2010-12. Figure 2 shows the comparative among years, for May 2012 the price was 50.3 percent lower than in 2011 and 8.14 percent higher than in 2010.

<b>Table 1. Average annual price for domestic market of cotton</b>			
	US dollar (pesos/ton)	Annual variation	Standard deviation
2010	1,776 (23,088)		4,917
2011	2,355 (30,618)	33	4,213
2012	1,990 (25,087)	-18	1,338

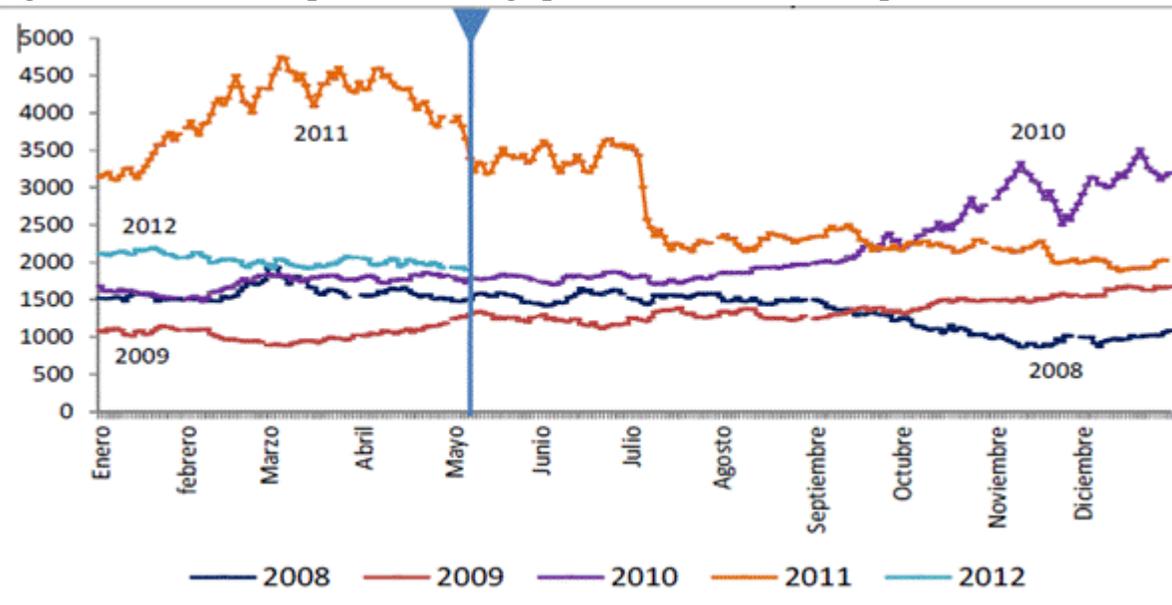
Source: Subsecretary of agribusiness (SFA, SAGARPA).

Note: For 2012 was considered the accumulated to May 4, 2012. Current Exchange Rate: U.S. \$1.00 = 13.00 pesos

**Figure 1. Mexico: Weekly average prices for cotton in Pesos/MT in Mexico and U.S.**



**Figure 2. Mexico: Comparative average prices for cotton in USD per MT from 2009-12**



**Policy:**

AgroBio, a private organization made up of the main agricultural biotechnology developers in Mexico including Monsanto, Pioneer, Syngenta, Dow, Bayer Crop Science, etc, launched a “Cotton Plan 2020” in September 2011. The main objective of this plan is to increase domestic cotton production from 750,000 bales in 2010 to 3 million bales in 2020 - primarily through the use of GM cotton seed and

increased planting area. CMCA admits that this plan is extremely ambitious and indicated that increasing production to 3 million bales would require at least 500,000 ha of total planted area, which is highly unlikely. The GOM has for many years encouraged forward contract purchases between farmers and buyers through the Forward Contract Program, “*Agricultura por Contrato*”, (see 2008 GAIN Report [MX8075 Mexico Announces Support Program for Sinaloa White Corn](#)). The program is designed for producers, traders and consumers of corn, wheat, sorghum, soybean, safflower, cotton, coffee, orange juice and livestock products (beef and pork), and recently added cocoa and coverage for agricultural inputs such as fertilizers, natural gas (and derivatives), and diesel. Members of the new Enrique Pena Nieto administration are reviewing this program to see how it should be run in the future.

As was mention on the [Cotton Annual Report 2012](#) (MX2024), the Mexican government has taken decisive steps in recent years to reduce the duties in place on a wide array of products as part of a broader strategy to remove tariff and non-tariff barriers to trade. Mexican manufacturers have continued to voice their apprehension about the potentially negative effect of a sudden surge in textile and apparel shipments from mainland China and the government has heeded those concerns by adopting a more robust trade enforcement policy with respect to apparel, footwear and other sensitive products. However these measures will have an impact throughout the cotton value chain.

**Table 2. Mexico: PSD for MY 2010/11 through 2012/13**

Cotton Mexico	2010/2011		2011/2012		2012/2013	
	Market Year Begin: Aug 2010		Market Year Begin: Aug 2011		Market Year Begin: Aug 2012	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
<b>Area Planted</b>	0	120	0	197	0	157
<b>Area Harvested</b>	111	111	192	192	150	153
<b>Beginning Stocks</b>	617	617	595	551	773	656
<b>Production</b>	732	710	1,243	1,180	920	944
<b>Imports</b>	1,196	1,300	1,000	1,015	1,250	935
<b>MY Imports from U.S.</b>	0	1,299	0	992	0	855
<b>Total Supply</b>	2,545	2,627	2,838	2,746	2,943	2,535
<b>Exports</b>	225	216	340	340	325	408
<b>Use</b>	1,700	1,835	1,700	1,725	1,800	1,575
<b>Loss</b>	25	25	25	25	25	25
<b>Total Dom. Cons.</b>	1,725	1,860	1,725	1,750	1,825	1,600
<b>Ending Stocks</b>	595	551	773	656	793	527
<b>Total Distribution</b>	2,545	2,627	2,838	2,746	2,943	2,535

1000 HA, 1000 480 lb. Bales

**For More Information:**

**FAS/Mexico Web Site:** We are available at [www.mexico-usda.com](http://www.mexico-usda.com) or visit the FAS headquarters' home page at [www.fas.usda.gov](http://www.fas.usda.gov) for a complete selection of FAS worldwide agricultural reporting.

**FAS/Mexico YouTube Channel:** Catch the latest videos of FAS Mexico at work

<http://www.youtube.com/user/ATOMexicoCity>

**Useful Mexican Official Web Sites:** Mexico's equivalent to the U.S. Department of Agriculture (SAGARPA) can be found at [www.sagarpa.gob.mx](http://www.sagarpa.gob.mx) , equivalent to the U.S. Department of Commerce (SE) can be found at [www.economia.gob.mx](http://www.economia.gob.mx) and equivalent to the U.S. Food and Drug Administration (SALUD) can be found at [www.salud.gob.mx](http://www.salud.gob.mx). The information about biotechnology and biosafety in Mexico is compiled by an Interministerial Commission (CIBIOGEM) <http://www.cibiogem.gob.mx> These web sites are mentioned for the readers' convenience but USDA does NOT in any way endorse, guarantee the accuracy of, or necessarily concur with, the information contained on the mentioned sites.

**Other Relevant Reports Submitted by FAS/Mexico:**

Report Number	Subject	Date Submitted
MX2024	Cotton and Products Annual	04/25/2012
MX1096	November Cotton update	12/15/2011
MX1054	June Cotton Update	06/30/2011
MX1018	February Cotton Update	03/15/2011
MX1008	December Cotton Update	02/01/2011
MX0077	Cotton Situation – October Update	10/25/2010
MX0062	Cotton Situation – September Update	09/10/2010
MX0038	July Cotton Update	06/15/2010
MX0021	Cotton and Products Annual	04/14/2010