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## **Mexico**

**Post:** Mexico City

## **Cotton and Products Annual**

### **2015 Cotton and Products Annual Mexico**

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**Report Highlights:**

Post/New MY 2015/2016 total Mexican cotton production is forecast to decrease approximately 19 percent due to an expected decrease in planted area. Total domestic cotton consumption in MY 2014/15 is forecast to increase slightly from the previous year to 1.95 million bales (each bale weighs 480 pounds). The Government of Mexico (GOM) postponed the removal of protective duties for textile and other products until 2018. The GOM also implemented various programs aimed at supporting the growth of the Mexican textile industry. The United States should continue to remain the main supplier of cotton to Mexico which accounts for about 100 percent of Mexico's total cotton imports.

### Executive Summary:

The Post/New MY 2015/16 total Mexican cotton production is forecast to decrease approximately 19 percent due to an expected 17 percent decrease in planted area. The decrease in planted area is mainly due to an expected increase in planted area for alternative crops like sorghum and corn that will be used for livestock feed as growers see less attractive prices for cotton.

Industry sources estimate that MY2014/15 yields will reach an average of 7 bales per hectare (ha), as a result of Genetically Engineered (GE) cotton seed use, varieties that permit high density planting, combined with favorable weather conditions. The MY 2014/15 domestic consumption is expected to increase slightly to 1.95 million bales. The Mexican textile industry remains competitive and is expected to grow with the implementation of various supports initiated by the GOM, including favorable custom, tax and financial measures.

### Commodities:

Cotton

### Production:

The Post/New MY 2015/16 Mexican cotton production is forecast to decrease to 1.02 million bales due to a reduction in the expected planted area compared to the previous year estimation. The reduction in planted area is the result of an expected increase of production areas for other feed crops like sorghum and corn, mainly due to less attractive prices for cotton compared to livestock feed crops. Table 1 shows Mexico's MY2014/15 cotton production estimate by state/region.

Table 1. Mexico: MY2014/15 Forecast Cotton Production by State/Region

Region	Planted Area (Has)	Yield (Bales/Ha)	Production (Bales)
Sinaloa	1,000	4.5	4500
Sonora	1,200	5.07	5,400
Mexicali, BC	33,681	7.2	243,429
Ascension, Chihuahua	55,292	6.7	370,456
Juarez, Chihuahua	29,815	6.7	193,798
Ojinaga, Chihuahua	36,470	7.72	281,781
Meoqui, Chihuahua	5,372	6.0	32,232
La Laguna / Durango and Coahuila	15,974	7.5	119,805
Tamaulipas	2,000	4.5	9,000
<b>TOTAL</b>	<b>180,804</b>	<b>6.98</b>	<b>1,260,398</b>

The Post/New MY 2014/15 total Mexican cotton production estimates have been revised slightly upward from the USDA/official estimate to 1.26 million bales, based on updated figures from the Confederation of Mexican Cotton Associations (CMCA). The CMCA attributes the increase in cotton production to higher yields due in part to the adoption of GE seeds, varieties of seed that permit higher density planting, combined with good weather conditions.

The 2013/14 total cotton production and harvested area estimates have been revised slightly upward from the USDA/official estimate to 933,000 bales in a harvested area of 123,000 hectares (ha), based on

updated figures from the Secretariat of Agriculture, Livestock, Rural Development, Fisheries and Food (SAGARPA).

In Mexico, cotton is grown throughout the year during two seasons: the main growing season is spring-summer (planted mainly from April –July and harvested August – January (see Fig. 1) and fall-winter (which is planted in November-January and harvested mainly in April to May). The main production states are in the North of the country, as it is shown in the Figure 2.

Figure 1. Cotton planting and harvesting main season in México.

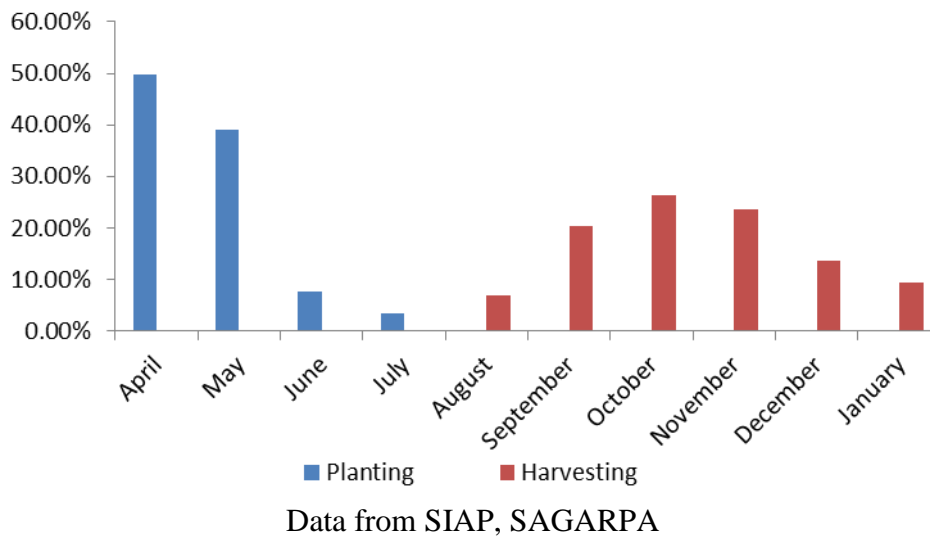


Figure 2. Mexican States where cotton is produced.



Cotton yields vary significantly among the major producing areas in Mexico. Average cotton yields for MY 2015/16 and MY 2014/15 are estimated at almost 7 bales/ha. The highest yielding area is expected to be in the region of Ojinaga, Chihuahua with 7.7 bales/ha, while the lowest yielding areas are located in Tamaulipas and Sinaloa with 4.5 bales/ha. Although, most cotton growers in Mexico have adopted the use of GE seed varieties and high density planting, other factors, such as weather and use of technology can explain differences in production levels. For example, in Tamaulipas all cotton production is in non-irrigated areas, which significantly reduces yields.

On January 22, 2015 SAGARPA, through the National Health Service, Food Safety and Quality Service (SENASICA), gave official recognition to the state of Chihuahua for reaching the status of “free zone of pink worm in cotton”. SAGARPA also recognized USDA for their support and assistance in the *Binational Program for the Eradication of Pink Bollworm and Boll Weevil*. Control actions were taken to successfully eradicate these pests by using integrated pest management, genetic engineered seeds and applying the sterile insect and pheromone mating disruption techniques. Both techniques used biological material provided by USDA. *Bt* genetic engineered cotton directed against the pink bollworm has been used in Mexico since 1996. As a result of these actions, according to SENASICA, 85 percent of Mexico’s cotton producing area is now free of pink bollworm and 70 percent of boll weevils are depleted. According to SENASICA officials, from 1996 to date, farmers from Chihuahua saved 30 percent on their production costs. For example, most Chihuahua cotton growers have reduced from 18 to one the number of insecticide applications needed, while at the same time increasing their yields from 3.7 to 7.7 bales of cotton per hectare. In Mexico, GE cotton seed use covers about 85 percent of the planted area throughout the country.

Regarding the quality of cotton fiber, CMCA officials expect that more widespread use of GE cotton varieties will allow producers to obtain not only better yields but significantly improve the quality of domestic cotton production. National Textile Industry Chamber of Mexico (CANAINTEX) representatives stated that standardization in cotton quality is of extreme importance for the continued stability of domestic consumption. Harvesting methods also have an influence on cotton quality and this is variable by region. In La Laguna, for example, the cotton harvest is picked by hand and is considered the region with better fiber quality.

### **Consumption:**

Total domestic cotton consumption in MY 2015/16 is forecast to reach 1.97 million bales (each bale weighs 480 pounds), mainly because of GOM’s various support programs as well as their actions taken related to global competition (see Policy section). The domestic cotton consumption estimate for MY 2014/15 has been revised slightly higher by 4 percent from USDA official estimates based on updated data from the textile industry. According to officials from the Secretary of Economy, apparel and textile protective duties will be maintained until 2018 (see report [MX4029](#)).

In 2015, due mainly to the implementation of various government support programs and other measures taken by the GOM (see Policy section), the Mexican textile and clothing industries are expected to grow between 10 and 12 percent. If this growth rate is achieved, it would be considered a record growth year, according to the National Chamber of Textile Industry (CANAINTEX) and the National Chamber of the Clothing Industry (CANAIIVE), and for the future outlook this growth rate makes for a much more confident industry as a whole. The GOM’s supports are expected to increase consumption of cotton and other fibers by approximately 1 to 2 percent in 2015.

**Trade:**

The Post/New MY 2015/16 total cotton import forecast is expected to hold at 1 million bales. However, the Post/New revised estimate for MY 2014/15 has been increased by 10 percent. The increase is due mainly to the higher than previously estimated domestic consumption. The United States should remain the main supplier to Mexico which accounts for about 100 percent of total cotton imports.

The Post/New total cotton import estimates for MY 2013/14 have been revised slightly upward from the USDA/Official estimate to 1.07 million bales, reflecting updated data available from the Global Trade Atlas (GTA).

The Post/New Mexican cotton export forecast for MY 2015/16 is expected to be reduced to 150,000 bales, mainly because of an expected increase in domestic consumption. However, export data from MY 2014/15 and MY 2013/14 have been revised upward from USDA/Official data based on recently released information from GTA.

**Stocks:**

The Post/New MY 2014/15 and MY 2013/2014 ending stock estimates have been revised upward from USDA/Official estimates. The upward revision is due to higher-than-previously anticipated production. The MY 2015/2016 is forecast to decline to 630,000 bales, due to an expected reduction in production.

**Domestic Cotton Prices:**

The price for cotton future contracts at March 2015 is US\$314.85 per bale according to the Agency of Marketing Services and Development of Agricultural Markets (ASERCA), which is in charge of publishing the cotton future prices shown in table 2.

Table 2. Cotton Future Prices

<b>Cotton Future Prices (March 6, 2015)</b>			
	US Cents / Pound	Variation	US Dollars / Bale
May 2015	62.97	-0.260	314.85
July 2015	63.37	-0.120	316.85
October 2015	63.96	-0.210	319.80
December 2015	64.57	-0.170	322.85
March 2016	64.57	-0.250	322.85

Source: <http://www.infoaserca.gob.mx/coberturas/algodon.pdf>

**Policy:**

The new PROAGRO Productive support program was initiated in January 2014, (before known as PROCAMPO). PROAGRO Productive aims to promote agricultural production of various crops, including cotton. This program attempts to promote a more productive, competitive and fair implementation for the countryside. Depending on the level of farming operation of the grower as well as regional conditions, PROAGRO Productive supports can be channeled to training, technical

assistance, mechanization, use of improved seeds, plant nutrition, productive reconversion, crop insurance and price hedging, among others (see report MX4009).

The GOM continues to encourage forward contract purchases between farmers and buyers through the Forward Contract Program, *Agricultura por Contrato*. The program is designed for producers, traders and consumers of corn, wheat, sorghum, soybean, cotton, coffee, orange juice and livestock products (beef and pork), and recently added cocoa and coverage for agricultural and fishing inputs such as fertilizers, natural gas (and derivatives), and diesel. Industry sources stated that this program is a novel subsidy system based on market prices and tools that facilitates price stability, merchandising, and marketing for Mexican producers of many agricultural products. For cotton, it has been extensively used by producers as well as by the traders.

In January 2015, the Ministry of Economy (SE), in coordination with the Ministry of Finance and Public Credit (SHCP), implemented a comprehensive support strategy for the textile and clothing industries. In general, the strategy aim is to enhance and ensure employment for 450,000 families belonging to Mexico's textile and clothing sectors and to promote the productivity and competitiveness of these enterprises as well as ensuring the legality and fairness of global competition. The GOM's three specific areas of focus are:

1. Industrial policy that supports innovation in Mexico's textile and clothing companies, including the creation of a National Center for Textile and Clothing Innovation (CENITV) in the state of Hidalgo.
2. Customs issues to avoid unfair competition.
3. Obtaining credit from Development Bank and Finance Industry to include a credit outlay of 450 million pesos (approximately \$30 million).

Measures already established by the GOM to support the textile and clothing industries:

1. A sectorial register of importers that identifies and measures the risk of their operations.
2. Required minimum 5 day automatic advance notice for imports to Mexico of textiles and clothing to the Tax Administration Service (SAT).
3. Continuous audit program established by SAT for importers of goods and their customers.
4. Pilot program that splits tariff lines to be more descriptive.
5. Suspended until 2018, tariff reduction to 80 fractions of imported cotton and other materials. Therefore, the tariff rate will remain at 25 percent for those countries with which Mexico has no free trade agreements (see reports MX4029 and MX3031).
6. Warranty prices on imports of raw and convertible material.

7. SAGARPA, through ASERCA, supports for the purchase of cotton from Mexican farmers as part of the GOM's assistance to the textile industry and to encourage the integration of the industry value chain.

For Mexico to meet the global competition generated by imports, a new National Center for Innovation and Fashion for Textile Industries and Apparel (CENITV) is currently under construction in Pachuca, Hidalgo. The Center is expected to open by the end of 2015. Public and private sources stated that the new National Center reportedly received investments from the Federal Government and the Textile Industry worth 56 million pesos (approximately 3.7 million U.S. dollars). The objective of the new National Center is to provide support to the Mexican textile industry, including professional advice on design, fabric types, etc., as well as helping to improve industry services in order to achieve a higher level of global competitiveness.

In February 2015, various Mexican institutions and textile and clothing industries came together with the aim to establish an industry and researcher partnership. An objective of the partnership is to help promote the development of the CENITV. Partnership representatives then formed an interagency group responsible for training programs at CENITV according to the needs of the Industry. The group recently visited numerous research centers, universities and leading institutions in the textile and garment industry in the United States. The Mexican delegation consisted of representatives from Mexico's various national industry chambers and officials from federal and state governments. The delegation visit also included stops to meet with executives of the College of Textiles at the University of the State of North Carolina, the Fashion Institute of Technology, Cotton Inc. and the Center for Innovation Textile and Clothing Technology Corporation, and other institutions engaged in research and development in order to learn more about these industries and the potential to apply certain applications to Mexico's industry.

Table 3. Mexico: PSD for MY 2013/14 through 2015/16

Cotton Mexico	2013/2014		2014/2015		2015/2016	
	Market Year Begin: Aug 2013		Market Year Begin: Aug 2014		Market Year Begin: Aug 2015	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted		130		185		150
Area Harvested	119	123	180	180		148

<b>Beginning Stocks</b>	646	646	575	597		732
<b>Production</b>	924	933	1220	1260		1023
<b>Imports</b>	1040	1071	900	1000		1000
<b>MY Imports from U.S.</b>	1040	1070	900	1000		1000
<b>Total Supply</b>	2610	2650	2695	2857		2755
<b>Exports</b>	160	178	150	175		150
<b>Use</b>	1850	1850	1850	1925		1950
<b>Loss</b>	25	25	25	25		25
<b>Total Dom. Cons.</b>	1875	1875	1875	1950		1975
<b>Ending Stocks</b>	575	597	670	732		630
<b>Total Distribution</b>	2610	2650	2695	2857		2755
1000 HA, 1000 480 lb. Bales, PERCENT, KG/HA						

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), equivalent to the TAX office <http://www.sat.gob.mx/Paginas/Inicio.aspx> 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
<u>MX4029</u>	2014 Cotton and Products Annual	4/8/2014
<u>MX3031</u>	Cotton Production Expected to Decline as Domestic Consumption Holds Steady	3/27/2013
<u>MX2094</u>	Cotton Production Up as Domestic Consumption Drops	12/21/2012
<u>MX2024</u>	Cotton and Products Annual	04/25/2012





**Executive Summary:**

**Commodities:**

Select