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Mexico

Cotton and Products Annual

2014 Cotton and Products Annual

Approved By:

Dan Berman

Prepared By:

Adriana Otero

Report Highlights:

The Post/New MY 2014/2015 total Mexican cotton production is forecast to increase approximately 16 percent due to an expected increase in planted area. Total domestic cotton consumption in MY 2013/14 is forecast to increase slightly from last year to 2 million bales (each bale weighs 480 pounds). Although imports of apparel and textiles from China have increased with the removal of protective duties, the Mexican textile industry continues to maintain a steady rate of production. The United States should continue to remain the main supplier of cotton to Mexico which accounts for close to 100 percent of Mexico's total cotton imports.

Executive Summary:

The Post/New MY 2014/15 total Mexican cotton production is forecast to increase approximately 16 percent due to an expected increase in planted area. The increase in planted area is mainly due to an expected reduction of planted area for alternative crops like sorghum because of lack of water availability for irrigation and more attractive prices for cotton than for livestock feed crops.

Industry sources estimate that MY2013/14 yields will reach a higher than usual average of 7.5 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 2013/14 domestic consumption forecast was revised upward from USDA official data. The textile industry remains competitive and is growing even with imports of apparel and textiles from China that have continued unabated since the removal of protective duties that started in January, 2012.

Commodities:

Cotton

Production:

The Post/New MY 2014/15 Mexican cotton production is forecast to reach a million bales due to higher than expected planted area compared to the previous year estimation. Although planted area is still slightly lower than in MY2012/2013. The increase in planted area is the result of an expected reduction of production areas for other feed crops like sorghum, mainly due to the lack of water availability for irrigation and more attractive prices for cotton than for the livestock feed crops. Table 1 shows Mexico's MY2014/15 cotton production forecast by state/region.

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

Region	Planted Area (Has)	Yield (Bales/Ha)	Production (Bales)
Sinaloa	100	4.5	450
Sonora	1,000	5.0	5,000
Mexicali, BC	28,000	6.5	182,500
Ascension, Chihuahua	36,000	6.7	241,200
Juarez, Chihuahua	24,000	6.5	156,000
Ojinaga, Chihuahua	35,000	7.0	245,000
Meoqui, Chihuahua	5,000	6.7	33,500
La Laguna / Durango and Coahuila	18,000	7.0	126,000
Tamaulipas	4,000	3.0	12,000
TOTAL	151,100	6.63	1,001,150

The Post/New MY 2013/14 total Mexican cotton production and harvested area estimates have been revised upward from the USDA/official estimate to 892,000 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 increased adoption of GE seeds, varieties of seed that

permit higher density planting, combined with good weather conditions. (GE cotton seed commercial permits granted by the Secretariat of Agriculture, Livestock, Rural Development, Fisheries and Food (SAGARPA) during MY2012/13 allowed the GE cotton seeds to be planted in MY2013/14.) Table 2 provides MY2013/14 cotton production estimates by state/region.

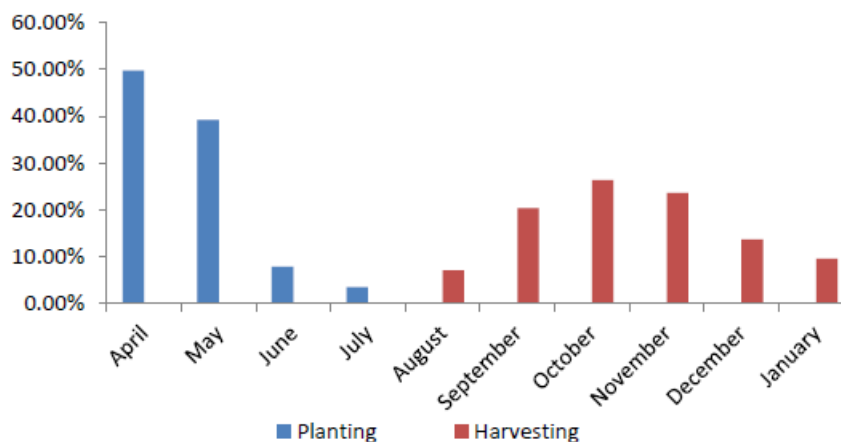
Table 2. Mexico: MY2013/14 Cotton Production Estimate by State/Region

Region	Planted Area (Has)	Yield (Bales/Ha)	Production (Bales)
Sinaloa	100	4.5	450
Southern Sonora	750	6.0	4,500
Mexicali, Baja California	24,494	7.5	183,392
Ascension, Chihuahua	33,237	7.54	250,616
Juarez, Chihuahua	18,552	6.76	125,456
Delicias, Chihuahua	1,900	7.03	13,364
Ojinaga-Aldama, Chihuahua	30,893	8.08	249,103
La Laguna / Durango and Coahuila	7,163	8.38	60,084
Tamaulipas	1,500	3.0	4,442
TOTAL	118,589	7.52	891,407

The MY 2012/13 total cotton production has been revised slightly lower according to recently released official data from the 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).

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



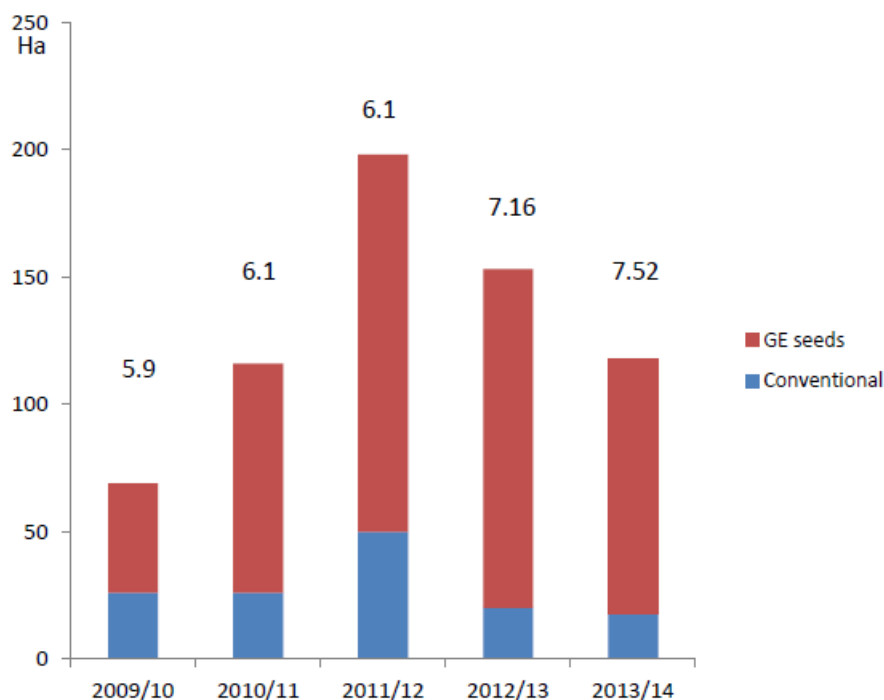
Data from SIAP, SAGARPA

Cotton yields vary significantly among the major producing areas in Mexico. Average cotton yields for MY 2013/14 are estimated at 7.52 bales / ha. The highest yielding area is expected to be in the region of

La Laguna with 8.38 bales/ha, while the lowest yielding areas are located in Tamaulipas with 3 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.

The CMCA stated that biotechnology continues to be an important tool in reducing pesticide usage in Mexico’s cotton sector. According to CMCA, pesticide application has dropped by over 50 percent due to stepped up use of GE seeds while at the same time yields have increased dramatically. On the other hand, due to the sensitivity of the GE seed issue in Mexico, cumbersome administrative measures by the Government of Mexico (GOM) continue to limit the timely purchase of imported GE seed from the United States.

Figure 2 shows hectares (in thousands) planted to cotton, the use of GE cotton seeds versus conventional seed, and the average cotton bale yield/ha for the last four years. Data for 2014/15 is not available yet but sources state that GE seed use is expected to cover about 85 percent of the planted area for cotton.



Regarding the quality of cotton fiber, CMCA officials expect that more widespread use of GE 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 (CANAINTECH) representatives stated that standardization in 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 2014/15 is forecast to hold at 2 million bales (each bale weighs 480 pounds). However, the domestic cotton consumption estimate has been revised slightly higher by 6 percent for MY 2013/14 and MY2012/2013, respectively, from USDA official estimates based on updated data from the textile industry. According to officials from the Secretary of Economy, Mexico’s textile industry grew by 1.8 percent during 2013 while textile product exports grew by 2.5 percent, this, despite the fact that apparel and textiles from China have increased with the elimination of protective duties that took effect January 1, 2012.

Trade:

The Post/New MY 2014/15 total cotton import forecast is expected to increase approximately 3.5 percent in comparison with the Post/New revised estimate for MY 2013/14. The increase is due mainly to the rebuilding of domestic stocks. The United States should remain the main supplier to Mexico which accounts for almost 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 1.06 million bales, reflecting updated data available from the Global Trade Atlas (GTA). Post/New total cotton imports for MY 2012/13 have been revised upward from the USDA/Official estimate to 1.12 million bales in order to reflect data from the GTA.

The Post/New Mexican cotton export forecast for MY 2014/15 is expected to reach 250,000 bales. Export estimates for MY 2013/14 have been revised upward from USDA/Official data based on recently released information from GTA as the Mexican cotton industry continues to make inroads in new markets in Central and South America. Export data from MY 2012/13 remains unchanged.

Stocks:

The Post/New MY 2013/14 ending stock estimate has been revised downward from USDA/Official estimates. The downward revision is due to higher-than-previously anticipated exports and higher than previous estimated domestic consumption. This is reflected in the carryover for MY 2014/2015, which is forecast to decline to 210,000 bales. MY 2012/13 ending stocks remain unchanged.

Domestic Cotton Prices:

The price for cotton future contracts at May 2014 is US\$467.10 per bale (INFOASERCA, SAGARPA). Marketing Services and Development of Agricultural Markets (ASERCA) is in charge of cotton future prices shown in table 3.

Table 3. Cotton Future Prices

Cotton Future Prices (April 1st, 2014)			
	US Cents / Pound	Variation	US Dollars / Bale
July 2014	92.50	-1.050	462.50
October 2014	81.97	-0.170	409.85
December 2014	79.87	-0.130	399.35

March 2015	79.87	0.010	399.35
May 2015	79.93	0.120	399.65

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). PROPAGRO 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 grower’s level of farming operation 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).

One of the steps needed to reach the objectives of the “[Cotton Plan 2020](#)” is to recover areas where cotton production has been abandoned, mainly in central Mexico. For this reason, in January 2013, a group of agricultural biotechnology developers in Mexico submitted a request to SAGARPA to start the environmental release approval process for GE cotton in the State of Michoacan, an area that has not used GE cotton before. However, the permit was denied and to date there is still no conventional or GM cotton grown in Michoacán.

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, safflower, 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 producers it has been extensively used by producers as well as by the traders.

Imports of apparel and textiles to Mexico from China have continued since the removal of protective duties in January, 2012. (See GAIN reports [MX3031](#), [MX2094](#), and [MX2024](#)). In late 2012, Mexico went before the World Trade Organization (WTO) to file a complaint accusing the government of China of overly subsidizing their textile industry. According to private industry sources, the government of China is reportedly providing their textile industry with exemptions and reductions from income tax, import duties, and value-added tax, low-cost loans and debt forgiveness, discounted land use rights, subsidized electricity, cash payments, and other supports. The supports provided to the Chinese textile industry negatively affects Mexican exports to the U.S. which need to be priced lower in order to effectively compete with Asian imported products.

Mexico announced that talks in 2013 between Mexican and Chinese officials in Geneva had failed to resolve differences between the two countries over industry supports, opening the way for Mexico to request an official WTO dispute panel to rule on its claims (see GAIN reports [MX3031](#), [MX2094](#), and [MX2024](#)). However, Mexico has delayed a move to challenge China at the WTO. In the meantime, representatives from the textile industry reportedly are planning a joint trip to China later this year with the Secretary of Economy to renegotiate the issue (see GAIN reports [MX3031](#), [MX2094](#) and [MX2024](#)) and decide if the WTO case will continue.

For Mexico to meet the competition generated by imports, a new National Center for Innovation on Textile - Clothing will open in Pachuca, Hidalgo in 2015. Sources stated that the new National Center received investments from the Federal Government and the Textile Industry worth 10 million pesos (approximately \$US 770,000) in 2013 and will receive between 30 (US\$ 2.3 mil) and 50 (US\$ 3.8 mil) in 2014. The objective of the new Innovation 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.

Production, Supply and Demand Data Statistics:

Table 4. Mexico: PSD for MY 2012/13 through 2014/15

Cotton Mexico	2012/2013		2013/2014		2014/2015	
	Market Year Begin: Aug 2012		Market Year Begin: Aug 2013		Market Year Begin: Aug 2014	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	0	157	0	130		155
Area Harvested	157	155	118	118		151
Beginning Stocks	710	710	700	700		360
Production	1,090	1,036	830	892		1,000
Imports	950	1,123	1,050	1,060		1,100
MY Imports from U.S.	0	1,109	0	1,053		1,090
Total Supply	2,750	2,869	2,580	2,652		2,460
Exports	225	225	100	292		250
Use	1,800	1,919	1,850	1,975		1,975
Loss	25	25	25	25		25
Total Dom. Cons.	1,825	1,944	1,875	2,000		2,000
Ending Stocks	700	700	605	360		210
Total Distribution	2,750	2,869	2,580	2,652		2,460

1000 HA, 1000 480 lb. Bales, PERCENT, KG/HA

Author Defined:

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For More Information:

FAS/Mexico Web Site: We are available at www.mexico-usda.com or visit the FAS headquarters' home page at 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, equivalent to the U.S. Department of Commerce (SE) can be found at www.economia.gob.mx and equivalent to the U.S. Food and Drug Administration (SALUD) can be found at 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
MX3031	Cotton Production Expected to Decline as Domestic Consumption Holds Steady	3/27/2013
MX2094	Cotton Production Up as Domestic Consumption Drops	12/21/2012
MX2024	Cotton and Products Annual	04/25/2012
MX1096	November Cotton update	12/15/2011
MX1054	June Cotton Update	6/30/2011
MX1018	February Cotton Update	03/15/11
MX1008	December Cotton Update	02/01/11