

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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POLICY

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Mexico

Post: Mexico

November Cotton Update - Production Raised

Report Categories:

Cotton and Products

Climate Change

National Plan

Biotechnology

Biotechnology and Other New Production

Technologies

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Report Highlights:

The Post marketing year (MY) 2011/12 (August/July) production forecast has been revised upward to 1.19 million bales (480 pounds). The Post MY2009/10 and 2010/11 production estimates have been revised upward, as well. The Post/New cotton import estimates for MY2009/10 and MY2010/11 have been revised upward to 1.5 and 1.2 million bales, respectively. Finally, the Post/New consumption estimates for MY's 2010/11 and 2011/12 were revised upward.

General Information:

Production:

The Post/New cotton production forecast for MY2011/12 has been revised upward from the USDA/Official forecast to 1.19 million bales, based on updated data from Confederation of Mexican Cotton Associations (CMCA). As of November 25, 2011, CMCA reported no significant effect on cotton production due to heat stress and drought in northern Mexico. According to CMCA, on average 70 percent of the production is “quality middling” and “strict middling” with fiber at 1-1/16” or better, while in Chihuahua, the main producing state, the quality in general is reported as good.

The Secretariat of Agriculture, Livestock, Rural Development, Fishery, and Food (SAGARPA) released its final production result for the 2010 spring/summer crop cycle and the numbers were higher than anticipated. As such, the Post/New MY2010/11 production estimate has been revised upward from the USDA/Official estimate to 732,000 bales. The Post/New estimate is based on SAGARPA’s final official information and updated estimates from CMCA for the 2010/11 fall/winter crop cycle.

Similarly, the Post/New MY2009/10 cotton planted and harvested area and production estimate have been revised upward to 475,000 bales from the USDA/Official estimate based on final official information from SAGARPA, which reflects higher-than-previously estimated planted and harvested area.

Consumption:

The Post/New consumption forecast for MY2011/12 was revised upward from the USDA/Official forecast and is based on information from CMCA. Similarly, the Post/New consumption estimate has been revised upward for MY2010/11 from the USDA/official estimate, reflecting the most recently available information from the CMCA. According to this Confederation, the increase for both years is a result of sustained demand from the Mexican textile industry, which is growing as consumer purchasing power and apparel spending recover. The total consumption estimate for MY2009/10 remains unchanged.

Trade:

The Post/New cotton import estimates for MY 2009/10 and MY2010/11 have been revised upward from USDA/Official estimates to 1.5 and 1.2 million bales, respectively. This is based on final official data from SAGARPA and the General Customs Directorate of the Finance Secretariat (SHCP). Similarly, the Post/New export estimates for MY’s 2009/10 and 2010/11 were revised upward and downward, respectively, from USDA/Official estimates in order to reflect data from SAGARPA and SHCP.

Stocks:

The MY2009/10 and MY2010/11 Post/New ending stocks estimates were revised upward from USDA/Official estimates due to higher-than-previously anticipated domestic production and imports,

for both years. This is reflected in the upward adjustment to MY2011/12 carry-over, as well.

Moreover, the Post/New ending stock estimate for MY2011/12 is higher than the USDA/Official estimate (886,000 bales) as a result of higher-than-expected domestic production.

Policy:

On September 15, 2011 Agro Bio launched “Cotton Plan 2020.” The main objective of this plan is to increase cotton production from 750,000 bales in 2010 to 3 million bales in 2020, through the use of genetically modified (GM) cotton seed. Agro Bio is a private organization that includes the main agricultural biotechnology developers active in Mexico (e.g., Monsanto, Pioneer, Syngenta, Dow, and Bayer Crop Science). The plan includes reaching a planted area of 500,000 hectares (has) of GM cotton in three stages:

- Stage 1: Plant GM cotton seed in current production areas so as to reach 300,000 has;
- Stage 2: Extend this with an additional 100,000 has in areas contiguous to step 1; and,
- Stage 3: Develop new production areas and recover previously planted areas with an additional 100,000 has.

The plan attempts to stimulate cotton production in traditional areas (e.g., Baja California, Sonora, Chihuahua, Tamaulipas and Coahuila) and then extend it to other regions that have potential for seeding cotton. According to Agro Bio this offers significant producer savings from the use of GM cotton seed.

For example, it would require only one liter of insecticide per hectare instead of 10 to 12 liters of insecticide applications per hectare needed with non-GM seed. Another goal of this plan is to help Mexico achieve self-sufficiency in cotton production by 2016 and become a cotton exporter by 2020.

Agro Bio estimates cotton production could grow at a rate of 26 percent per annum from 2011 to 2020 through this plan. Moreover, Agro Bio believes the plan may increase primary (agricultural) sector gross domestic product (GDP) by more than U.S. \$500 million, an increase of 2 percent, due to job creation, ecological benefits, and import substitution.

Agro Bio has promoted this plan with the Mexican government, members of the textile industry, and with grower organizations. The government, however, has not publicly given the program its support.

Moreover, the plan would require the government to release GM cotton seed planting permits in an expeditious manner and invest in infrastructure (i.e. irrigation, electricity, storage, and communication).

Meanwhile, CMCA has stated this plan is overly optimistic. CMCA indicated that Mexico’s ideal average cotton production would be 1.15 million bales across a planted area of 200,000 has. Therefore, the goal of increasing planted area to 500,000 has is unlikely because it would require the government to grant additional production and market support (i.e. subsidies) and require, as well, that international cotton prices remain at high levels over the next few years.

Production, Supply and Demand Data Statistics :

Table 1. Mexico: Production, Supply, and Distribution (PS&D)

Cotton Mexico	2009/2010		2010/2011		2011/2012	
	Market Year Begin: Aug 2009		Market Year Begin: Aug 2010		Market Year Begin: Aug 2011	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post

Area Planted	0	78	0	120	0	197
Area Harvested	70	77	116	116	190	190
Beginning Stocks	764	764	579	749	463	721
Production	422	475	713	732	1,150	1,190
Imports	1,393	1,516	1,196	1,236	1,050	1,050
MY Imports from U.S.	0	1,490	0	1,236	0	1,050
Total Supply	2,579	2,755	2,488	2,717	2,663	2,961
Exports	75	81	350	171	250	250
Use	1,900	1,900	1,650	1,800	1,700	1,800
Loss	25	25	25	25	25	25
Total Dom. Cons.	1,925	1,925	1,675	1,825	1,725	1,825
Ending Stocks	579	749	463	721	688	886
Total Distribution	2,579	2,755	2,488	2,717	2,663	2,961

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

Author Defined:

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.

Other Relevant Reports Submitted by FAS/Mexico:

Report Number	Subject	Date Submitted
MX1054	June Cotton Update	6/30/2011
MX1034	April Cotton Update	4/29/2011
MX1025	2011 Cotton Annual	4/1/2011
MX1018	February Cotton Update	3/15/2011
MX1008	December Cotton Update	2/01/2011

Useful Mexican 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. 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.