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Prepared By: Adriana Otero and Rhiannon Elms

Approved By: Rhiannon Elms

Report Highlights:

Mexico cotton production and area planted is forecasted to increase in marketing year (MY) 2022/23, mainly due to high global demand and corresponding high prices. Additionally, drought conditions observed during the planting season over the past two years, has encouraged the planting of cotton over other more water reliant crops. Despite an increase in planted area, yields are forecasted lower than the previous MY due to low new seed availability, and the high cost of fertilizers and herbicides. Consumption is forecasted up slightly, on high demand for yarn and fabrics, particularly in the Central America Free Trade Agreement (CAFTA) region for final product exports to the United States. Mexico cotton imports from the United States are forecasted to increase 18 percent during MY 2022/23 on insufficient domestic production and preference for consistent high-quality fibers.

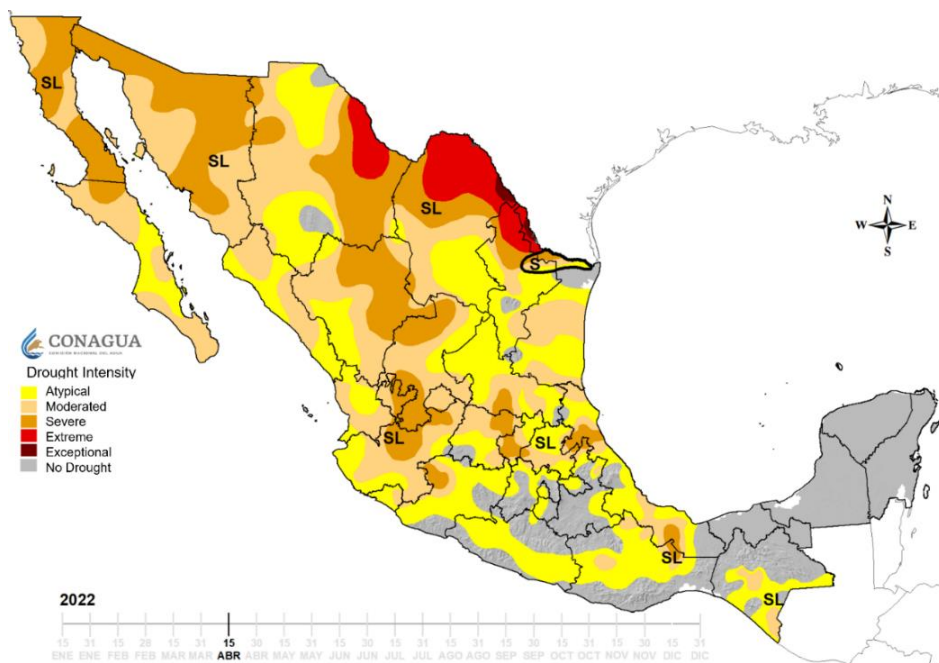
Production

Mexico cotton production is forecasted for MY 2022/23 at 1.37 million bales, a 12 percent increase from the previous MY, mainly due to higher fiber futures prices due to projected high global demand and increased planting after a second year of la Niña conditions (extreme drought and high temperatures during the first months of the year) that drove producers to plant drought resistant cotton over other more water reliant crops. In Mexico, cotton is grown during two cycles, with planting mainly occurring between February and May with harvest in August. Southern Tamaulipas typically has a second growing season planted from August to September and harvested in February.

Chihuahua, which produces nearly 80 percent of the nation’s cotton, relies mainly on water from underground aquifers in the north of the state, while the central and southern regions also rely on dams (at 48 percent capacity as of April 22, a level considered generally good for this time of the year). Baja California and Sonora rely on irrigation water from the United States, per the 1944 Water Treaty between the U.S. and Mexico for the utilization of waters of the Colorado and Tijuana Rivers and of the Rio Grande. Most of the planted area in Tamaulipas is irrigated with domestic water supplies (one percent is rain-fed only). To date, water reservoirs are at 40 percent capacity, and seasonal rains are expected to begin in May. The La Laguna region (Coahuila and Durango) is irrigated, and water reservoirs are currently at 60 percent capacity, with rains expected to start in June. Typically, Coahuila and Durango need less irrigation cycles due to more moderate temperatures than the rest of the cotton growing areas and have higher yields.

Producers report that irrigation system usage is volatile due to electricity shortages by the Federal Electricity Company. Due to continuous suspensions of the electricity supply needed to operate and maintain wells, producers have relied heavily on seasonal rains to provide between 35 and 50 percent of water needs nationally.

Drought Levels April 2022



Source: [CONAGUA](#)

According to Mexico’s National Commission for Water ([CONAGUA](#)), variable levels of drought were experienced in cotton growing states from January to April, a typical dry season occurrence. The northeast of Chihuahua and Baja California experienced extreme to severe drought conditions. Seasonal rains that replenish reservoirs are expected from May to September during the crop development stage ([CONAGUA monthly rain data](#)).

Planted Area

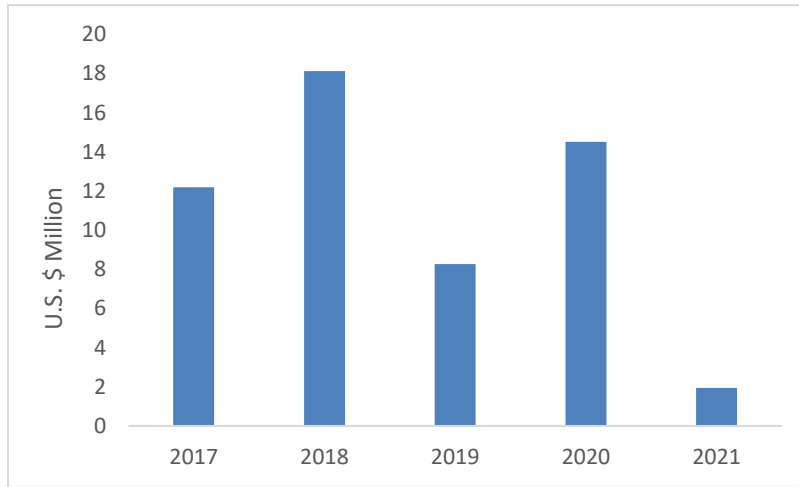
Cotton Planted Area Forecast MY 2022/2023



Source: State Committees of Plant Health, and Producer Associations

Planted area for MY 2022/23 is expected to reach 191,000 hectares (ha), up 18 percent from the previous year. Increases in planted area are forecasted despite ongoing challenges to seed availability, as the Government of Mexico has not approved any genetically engineered (GE) cotton planting permits since 2019. Please see the following reports for more information ([MX2021-0017](#), [MX2021-0074](#), [MX2021-0087](#)). Producers report that they rely upon saved or outdated seed usage from year to year, resulting in yield uncertainty and volatility in some growing areas. Current planted area levels are down approximately 21 percent from MY 2018/19, which saw record production.

Cotton Seed Imports from the United States 2017-2021



Source: Trade Data Monitor, LLC

Despite an increase in planted area, yields are projected down eight percent from previous MY due to the high cost of production inputs such as fertilizers and herbicides, and lack of Government of Mexico approvals for new seed varieties. There are currently no government programs that provide for or support farmers with input purchases. The cost and availability of fertilizer in Mexico is expected to remain challenging due to global supply pressures because of Russia’s invasion of Ukraine, with acute supply pressures likely to be felt in the next marketing year. Additionally, the Government of Mexico has been restricting the importation of glyphosate since a [decree](#) to phase-out its use by 2024 was published in December of 2020.

State Level Forecast MY 2022/2023

State	Area Planted (Ha)	Yield (Bales/Ha)	Bales	Planting Dates
Chihuahua	140,000	7.4	1,036,000	April to May
Baja California	18,500	6.5	120,250	March to April
Coahuila	11,500	8.23	94,645	February to March
Tamaulipas	11,000	6	66,000	March to April
Sonora	4,500	6.6	29,700	March to May
Tamaulipas	3,500	4.5	15,750	August to September
Durango	2,000	7.8	15,600	March to April
Total	191,000	7.5	1,377,945	

Source: State Committees of Plant Health, and Producer Associations

Planted area forecasts are based on information from the State Committees of Plant Health and producer associations, as the National Information System for Agricultural Production (SIAP) has not yet published official data. Planted area is forecasted up in all producing states in Mexico, with Chihuahua forecasted to reach 140,000 ha, a 14 percent increase. Baja California is forecasted up 27 percent from the previous MY. For producers in this region, cotton prices over US \$ 0.80 / lb are more profitable than wheat, and only competes with vegetables that require more investment and infrastructure.

Cotton Production, Supply and Distribution

Cotton	2020/2021		2021/2022		2022/2023	
Market Year Begins	Aug 2020		Aug 2021		Aug 2022	
Mexico	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	0	148	0	162	0	191
Area Harvested	145	142	155	154	0	188
Beginning Stocks	694	694	429	193	0	40
Production	1020	1059	1200	1222	0	1377
Imports	928	928	1075	1100	0	1300
MY Imports from U.S.	0	928	0	1100	0	1300
Total Supply	2642	2681	2704	2515	0	2717
Exports	488	488	250	350	0	450
Use	1700	1975	2000	2100	0	2175
Loss	25	25	25	25	0	25
Total Dom. Cons.	1725	2000	2025	2125	0	2200
Ending Stocks	429	193	429	40	0	67
Total Distribution	2642	2681	2704	2515	0	2717
Stock to Use	19.61	7.84	19.07	1.63	0	2.55
Yield	1532	1624	1686	1728	0	1595

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

Consumption

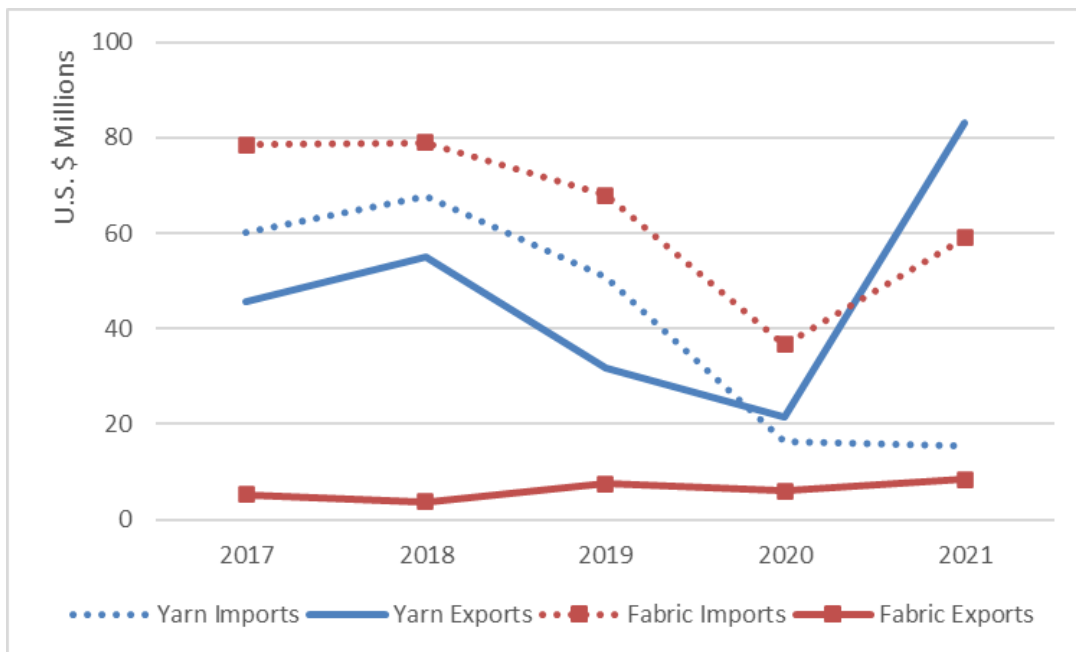
Cotton consumption is expected to increase three percent from the previous MY to 2.2 million bales, due to investments in more efficient machinery and increased textile mill capacity to meet growing domestic and international demand for yarn and fabric. Mexico's textile industry prefers to spin high quality and consistently supplied U.S. cotton. Cotton from the United States is expected to fulfill 60 percent of the textile industries need. Mexico's textile industry consumes domestic and U.S.-made yarns, cotton, and fabrics for apparel, home furnishings, or other industrial textiles for sale mainly in the United States.

Trade

Post forecasts MY 2022/23 cotton imports at 1.3 million bales, an increase of 18 percent from MY 2021/22 on higher textile demand in the United States and Central American countries, after record fabric and yard exports there in 2021. This trend is expected to continue based on strong demand and likelihood that domestic supplies will remain low quality due to lack of updated GE seeds for planting.

Post forecasts MY 2022/23 cotton exports at 0.45 million bales, mainly to Pakistan and Turkey. As Mexico is a major yarn, fabric, textile, and apparel producer, most of the cotton produced or imported is used domestically, with only a small portion exported.

Cotton Yarn and Fabric Trade



Source: Trade Data Monitor, LLC.

Stocks

The Post MY 2022/23 ending stocks forecast is 0.67 million bales, an increase of 40 percent from previous record low MY which saw unusually low stocks due to high prices. There are no government-held stocks in Mexico. Aside from minimal storage in Chihuahua, no storage capacity for cotton exists in the rest of the country; bales are stored outdoors and vulnerable to loss.

Prices

The New York Stock Exchange (NYSE) average price for cotton on March 18, 2022, was 121 cents / lb. Sustained high prices incentivize cotton planting, as producers comment that a price higher than 80 cents / lb is ideal.

Attachments:

No Attachments