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Report Highlights:

Mexico's marketing year 2021/22 cotton harvest is ongoing and proceeding well, due to optimal weather conditions and sufficient water supplies in almost all producing states. Good international prices for fiber and high global and domestic demand would typically lead to increased production, however, a lack of access to high quality genetically engineered seeds and agro-chemical and non chemical inputs has prevented producers from taking full advantage of opportunities. Cotton imports from the United States are strong and forecasted higher, as Mexico's textile industry relies on high quality U.S. cotton to meet demand.

Production

Cotton is produced in northern Mexico in the states of Chihuahua, Baja California, Coahuila, Tamaulipas, Sonora, and Durango. Planted area for marketing year (MY) 2021/2022 reached 159,560 ha, based on information from the State Committees of Plant Health, producer associations, and the National Information System for Agricultural Production (SIAP). Harvest is ongoing in most states, except for Tamaulipas which completed harvest in September. Post revises the MY 2021/22 cotton production forecast up slightly to 1.2 million bales due to good weather and water availability despite excess rain that led to low yields in Tamaulipas. All other states are forecasted to see increased yields, with Chihuahua, the top producer, expected to reach 7.8 bales/ha. Chihuahua relies on water from aquifers in Mexico that maintained optimal levels throughout the growing season. In Baja California and Sonora high-quality production is expected with high yields (6.8 to 7 bales/ha), due to sufficient water supplies and a good pest management. The *La Laguna* region (Coahuila and Durango) has had beneficial climatic conditions throughout the growing season, and yields are expected at 7.8 and 8.23 bales/ha respectively. *La Laguna* region has ideal soil conditions and sufficient rains and irrigation supplies.

State Level Forecast MY 2021/2022

State	Area Planted (Ha)	Yield (Bales/Ha)	Bales	Harvest dates
Chihuahua	121,864	7.8	950,539	October to January
Baja California	13,522	7	94,654	October to December
Coahuila	9,482	8.23	78,036	September to November
Tamaulipas	10,518	4.6	48,382	August to September
Sonora	2,635	6.8	17,918	October to December
Durango	1,539	7.8	12,004	September to November
Total	159,560	7.4	1,201,535	

Source: Secretariat of Agriculture and Rural Development (SADER), State Committees of Plant Health, and Producer Associations



Cotton Field in Chihuahua, November 2021.

Missed Opportunities for Increased Production

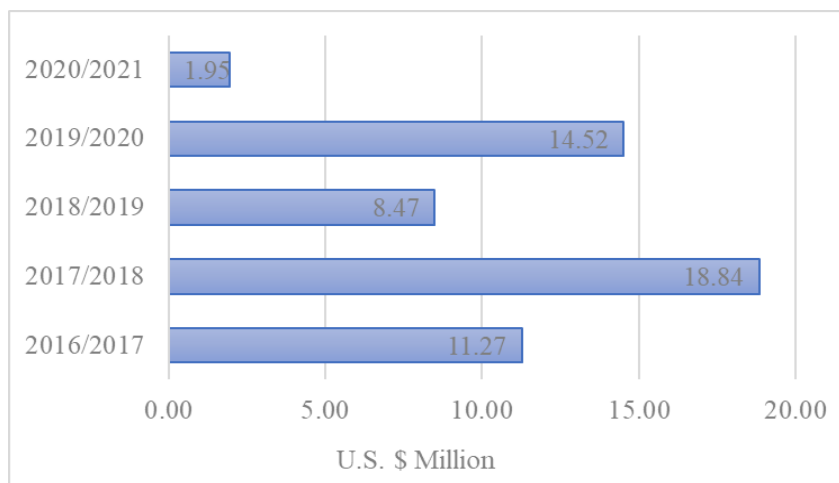
As reported in the March Cotton Annual ([MX2021-0017](#)), producers continue to face problems accessing genetically engineered (GE) planting seed due to Government of Mexico (GOM) application denials. As a result, producers are unable to capitalize on strong international prices and high global and domestic textile demand that would typically incentivize increased production. Producers from Chihuahua report approximately 20,000 hectares could not be planted due to a lack of seed. Additionally, highly variable yields and quality due to use of outdated or saved seed usage has also damaged both profitability for producers and led to the need for higher imports of U.S. high quality cotton for use in Mexico's textile mills.

Post Production Forecast MY 2021/2022



Mexico's GE cotton seed imports (nearly 100 percent supplied from the United States) were down approximately 86 percent in MY 2020/21 compared to the previous marketing year and reached only \$1.9 million (down 90 percent from a high of approximately \$19 million in MY 2017/18). Information from contacts suggests that only 40 percent of cotton seed planted this marketing year was through official sales, with expectations that percentage will decrease in the next marketing year.

Cotton Seed Imports 2016-2021



Source: Trade Data Monitor, LLC

Cotton Production, Supply and Distribution

Cotton	2019/2020		2020/2021		2021/2022	
Market Year Begins	Aug 2019		Aug 2020		Aug 2021	
Mexico	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	0	230	0	148	0	159
Area Harvested	225	230	145	142	150	154
Beginning Stocks	694	694	694	765	414	297
Production	1570	1661	1020	1060	1050	1201
Imports	590	570	875	960	900	1100
MY Imports from U.S.	0	570	0	959	0	1100
Total Supply	2854	2925	2589	2785	2364	2598
Exports	660	660	500	488	300	350
Use	1475	1475	1650	1975	1650	2100
Loss	25	25	25	25	25	25
Total Dom. Cons.	1500	1500	1675	2000	1675	2125
Ending Stocks	694	765	414	297	389	123
Total Distribution	2854	2925	2589	2785	2364	2598
Stock to Use %	32.51	35.83	19.26	12.06	19.95	5.02
Yield	1519	1572	1532	1625	1524	1698
(1000 HA) ,1000 480 lb. Bales ,(PERCENT) ,(KG/HA)						

Consumption

Post forecasts MY 2021/22 cotton consumption at 2.12 million bales, five percent higher than previously forecasted, due to investments in more efficient textile machinery and high demand. Consumption remains high as both the Mexican and U.S. economies continue to recover from the COVID-19 pandemic. However, additional growth opportunities are not being met due to a mixture of poor foreign investment confidence in the country and domestic production challenges.

Challenges for the Textile Industry: Proposed Constitutional Energy Sector Reform, High Energy Prices, and Low Investor Confidence.

According to the National Chamber of the Textile Industry (CANAINTEC), Mexico's textile industry is already suffering from a proposed constitutional energy sector reform, that while still in debate, has reduced investor confidence in Mexico. As energy is the most essential input for the textile sector, and accounts for 30 percent of spinning costs, uncertainty in available energy supplies and potential high costs has cast uncertainty in viability of industry expansion.

On September 30, 2021, Mexico's President Andres Manuel Lopez Obrador delivered a draft constitutional amendment to Congress that would drastically roll back 2014 electricity reforms and give almost complete control to the state-owned Federal Commission of Electricity (CFE). While Mexico's 2014 reforms allowed for a slow opening to private sector investments in renewable energy generation (that was heavily utilized by the textile industry), the newly submitted constitutional reform would all but block such investment and grant CFE the majority share of electricity generation and abolish independent regulators. Energy prices in Mexico are already nearly 60 percent higher than in the United States. Congress has postponed debate on this proposal until August 2022.

International clothing companies have expressed interest in either moving or expanding production facilities into Mexico due to its proximity and logistical advantage to the United States. However current GOM policies, including the proposed energy reform, previously canceled infrastructure projects, and strict austerity measures throughout the country, is freezing investor confidence.

Trade

Post forecasts MY 2021/22 cotton exports down 14 percent to 0.35 million bales from the previous forecast due to high domestic demand and improved cotton fiber quality. Export levels depend heavily on cotton quality as lower quality cotton is not acceptable for domestic textile industry use.

The Post forecast for MY 2021/22 cotton imports remains at 1.1 million bales based on continued recovery of the textile industry. Cotton imports from the United States, which typically account for 50 percent of consumption demand, are expected to increase on increased global and domestic textile and apparel demand.

Stocks

The Post MY 2021/22 ending stocks forecast is revised down to 0.12 million bales, 29 percent lower than the previous estimate due to higher domestic use. 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 November 7, 2021, was 116 cents / lb. Sustained high prices will incentivize cotton planting for MY 2022/23, as producers comment that a price higher than 80 cents / lb is ideal.

Upcoming Textile Events in Mexico

[Intermoda](#) January 18 to 21, 2022. Guadalajara, Mexico

Attachments:

No Attachments