

Voluntary Report – Voluntary - Public Distribution

Date: June 25,2020

Report Number: MX2020-0030

Report Name: Mexico Cotton Update

Country: Mexico

Post: Mexico City

Report Category: Cotton and Products

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Report Highlights:

Updated data from the Mexican State Committees of Plant Health and producer associations shows a higher than expected reduction in cotton planted area for marketing year (MY) 2020/21. The new forecast of 147,965 hectares reflects a 36 percent reduction compared to MY 2018/19. Planted area has been most affected in the state of Chihuahua, the country's largest producer, with a forecasted 37 percent reduction. Factors contributing to the reduction include lack of genetically engineered (GE) seeds, no available glyphosate stocks to manage weeds, high producer debt due to little to no government support, rising costs of production, and low sales due to Covid-19 industry disruptions. The reduction in production will be covered by existing stocks. The textile industry has not been operational for nearly three months due to Covid-19, with government data showing production reductions of 67 and 77 percent in April and May, when compared to 2019.

Production

The Post MY 2020/21 cotton production forecast is 1.06 million bales, 14 percent lower than the previous Post forecast based on updated data from the State Committees of Plant Health and producer associations. Planted area in the state of Chihuahua, Mexico's largest cotton producer, is forecast to reduce by 37 percent (compared to the previous forecast of 22 percent). This reduction is a result of low prices, a lack of GE seeds, no glyphosate to manage weeds, and water shortages due to significant drought in the summer of 2019. Additionally, many producers lack financial liquidity, as the MY 2019/20 harvest was of low quality, and therefore brought lower returns.

MY 2020/21 *Forecasted* Production Information by State

State	Planted Area(Ha)	Yield (Bales/Ha)	Production
Chihuahua	100,000	7.3	730,000
Baja California	20,000	7.2	144,133
Coahuila	13,400	7.8	103,914
Tamaulipas	8,837	5.0	44,562
Sonora	4,800	6.8	32,814
Durango	928	7.5	6,975
TOTAL	147,965	7.2	1,062,397

Source: SADER, State Committees of Plant Health, and Producer Associations.

Seed Shortage

On June 2, the Secretariat of Environment and Natural Resources (SEMARNAT) published a press release announcing the rejection of 19 applications for the cultivation of GE cottonseed. SEMARNAT is responsible for reviewing and issuing binding approvals for permits, while the Secretariat of Agriculture and Rural Development (SADER) distributes permits directly to seed companies. SEMARNAT cites concerns of genetically modified varieties intermixing with traditional wild cotton populations found in the south of the country, as well as non-compliance of an indigenous consultation process used in previous administrations as reason for rejection. The permit rejections will have significant ramifications for cotton planning in Mexico, as producers have access to very few outdated GE seed varieties which are not compatible in all growing areas and result in poor yields and ineffective pest protection.

Glyphosate Ban

Since November 2019, SEMARNAT has stopped issuing import permits for glyphosate products, citing the precautionary principle. SEMARNAT and Mexico's National Council on Science and Technology state that scientific evidence justifies Mexico's prohibitions on glyphosate, and clearly demonstrates its

damage to human health and the environment. Meanwhile, Mexico’s agricultural sector has stated that a ban of glyphosate would severely damage domestic production of certain products, including cotton. Mexico imports 100 percent of glyphosate supplies, and contacts indicate that current stocks are likely to run out in August 2020. Cotton producers have used glyphosate since the 1970’s, and have adopted good management practices. The four cottonseed varieties available for planting this MY are tolerant to glyphosate.

Cotton Production, Supply and Distribution

Cotton	2018/2019		2019/2020		2020/2021	
Market Begin Year	Aug 2018		Aug 2019		Aug 2020	
Mexico	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	0	247	0	0	0	0
Area Harvested	243	243	225	230	165	148
Beginning Stocks	655	655	765	694	610	975
Production	1735	1735	1570	1661	1150	1062
Imports	850	850	525	600	900	600
MY Imports from U.S.	0	850	0	525	0	600
Total Supply	3240	3240	2860	2955	2660	2637
Exports	500	521	525	480	200	200
Use	1950	2000	1700	1475	1800	1500
Loss	25	25	25	25	25	25
Total Dom. Cons.	1975	2025	1725	1500	1825	1525
Ending Stocks	765	694	610	975	635	912
Total Distribution	3240	3240	2860	2955	2660	2637
Stock to Use %	31.22	27.53	27.42	49.87	31.75	53.65
Yield	1555	1555	1519	1572	1517	1562

Consumption

The Post forecast for MY 2020/21 cotton consumption is 1.52 million bales, 22 percent lower than the previous forecast, due to Covid-19 effects on the textile industry. Factories around the country have not been operational since mid-March, with less than 10% of the companies operating to produce personal protective equipment and other essential items only. Government data shows production reductions of 67 and 77 percent in April and May 2020 compared to 2019.

Trade

The Post forecast for MY 2020/21 exports is 0.2 million bales, 60 percent lower than MY 2019/20, on low global demand, reduced production, and low global prices due to Covid-19. The Post MY 2020/21 import forecast is 0.6 million bales, 33 percent lower than the previous forecast. The textile industry will draw down on domestically produced stocks to supply severely diminished demand.

Stocks

The Post MY 2020/21 ending stocks forecast is 0.91 million bales, an increase of 48 percent from the previous forecast, due to the drastic decrease in consumption.

Attachments:

No Attachments.