



International Agricultural Trade Report

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Mexico Announces Emergency Cotton Support Program to Stabilize Production Next Season

Summary

Lower prices and drought have reduced the Mexican cotton crop to the lowest level since 1994/95, but a new subsidy program will likely result in a production rebound in 2000/01.

Lowest International Prices Since 1992/93 Prompt Government to Establish New Supports

Due to the drastic fall of international cotton prices, the Mexican Secretary of Agriculture announced on September 21 an emergency assistance of 1,200 pesos per hectare (roughly US\$126/ha) for cotton growers. The new support will be applied to the total cotton area planted in 1999/2000 of approximately 160,000 hectares. According to government officials, this support encompasses 900 pesos per hectare (US\$95/ha.) from the federal budget and 300 pesos/hectare (US\$32/ha.) from the state governments. This support is additional to the current Direct Aid to the Countryside (PROCAMPO) payments of 708 pesos/hectare (US\$75/ha.) and the payment of 550 pesos per hectare (US\$58.5/ha.) to support and encourage cotton production. Official sources explained that the international cotton prices decreased from US\$0.72 per pound a year ago to US\$0.51 currently, due to ample supplies of Chinese cotton.

New Subsidy will Encourage More Cotton Production in 2000/01

The objective of the new subsidy is to provide an incentive for farmers to plant cotton instead of other alternative crops which currently are more profitable than cotton. During 1999/2000, government officials expect cotton production to decrease to approximately 600,000 bales from nearly 1.0 million bales a year ago, mainly because of water shortages in the main cultivated regions. Additionally, planted area declined from around 230,000 ha. in 1998/99 to just over 150,000 hectares for the current year. Official sources said that promoting domestic cotton production is indispensable, as the textile industry's demand for cotton continues to grow. The new cotton subsidy has a budget of 133.6 million pesos (approximately US\$14 million) and is effective, immediately. Officials pointed out that total government support (PROCAMPO payments and the Payment to Support and Encourage Cotton Production) with the new subsidies is US\$0.15 per pound of lint.

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