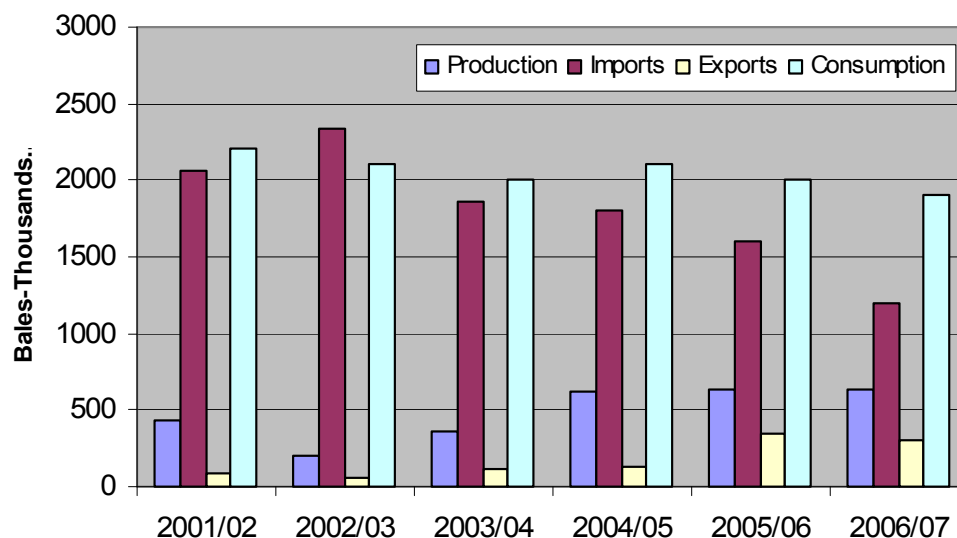


## International Agricultural Trade Report

### Sluggish Mexican Cotton Consumption Pushes Imports of U.S. Cotton Lower

*Mexican cotton production is projected to remain steady this marketing year, however domestic cotton consumption is forecast to decrease slightly again in 2006/07 pushing imports down 18 percent from 2005/06. Much of the decline in Mexico's cotton consumption can be attributed to Mexico's apparel and textile exports losing market share in the U.S.*

**Mexican Cotton Supply and Demand**



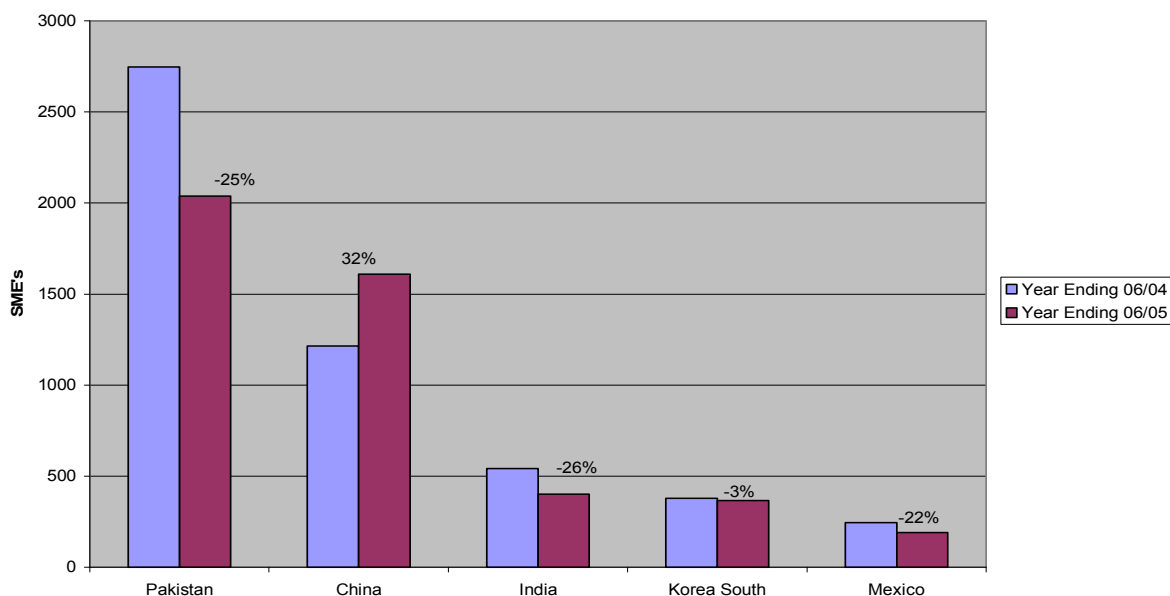
#### Production

After falling in 2002/03 to the lowest level in eight years due to low international prices, low government support, and poor weather, area planted to cotton in Mexico rebounded in 2004/05, pushing cotton production up nearly 61 percent. Much of this growth was due to higher world cotton prices and an expected increase in government support. Mexico's cotton production has remained relatively stable since 2004/05, increasing from 625 thousand bales to a projected 635 thousand bales in 2006/07.

## Consumption

Use of cotton in Mexico remained relatively steady at slightly over 2 million bales since 1997/98. However, in 2006/07 use is projected to decline 5 percent to 1.9 million bales the lowest level in ten years. Much of the drop in Mexico's cotton use can be attributed to a decline in Mexico's apparel and textile market share in the U.S. The U.S is sourcing more cotton products from countries other than Mexico, particularly China. The decline in Mexico's cotton use can also be attributed to an increasing amount of foreign apparel and textile products entering Mexico, much of which is entering without paying the import duties. This has depressed demand in Mexico for locally produced products.

### Year-To Year Volume Change in Cotton Product Exports to U.S.



\*SME's=Square Meter Equivalents

## Imports

While Mexico's cotton imports were over 2 million bales in 2001/02 and 2002/03, higher production during the last three years pushed imports down to a projected 1.6 million bales in 2005/06. In 2006/07, cotton imports are projected to decline 18 percent to 1.3 million bales. Usually 98 percent of Mexico's cotton imports come from the United States. U.S cotton exports to Mexico in 2004/05 totaled 1.58 million bales, down from 1.62 million bales exported the year prior, and down from 1.77 million bales exported in 2002/03.

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