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Mexican Cotton Growers Ask Government for Export Subsidy

by LADB Staff

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Mexican cotton growers have asked President Ernesto Zedillo's administration to grant them a 14% export subsidy to counter a similar export subsidy received by US cotton producers. Salomon Faz Sanchez, president of the Union de Productores de Algodon de la Republica Mexicana, said the lack of a subsidy has placed Mexican producers at a disadvantage. In a meeting with deputy agriculture secretary Francisco Gurria Trevino, Faz Sanchez said the Mexican textile industry has already arranged to import 2 million bales of cotton at reduced prices, leaving little opportunity for Mexican growers to sell their production for this year, estimated at 300,000 bales.

Because of a depressed global market, said Faz Sanchez, Mexican cotton has lost its competitiveness and should receive a government export subsidy. Faz Sanchez pointed out that Mexico is allowed to implement the subsidy under terms of the North American Free Trade Agreement (NAFTA). "If US producers are able to receive export support, Mexican producers should receive the same benefits, as stipulated under NAFTA," said Faz Sanchez. He said cotton grown in Sonora, Sinaloa, and Tamaulipas states is valued at US\$82 per quintal. In contrast, subsidized cotton imported from the US carries a price of US\$65 per quintal.

Study cites increase in cotton imports in first half of 1998

A study published by the Banco Nacional de Creditor Rural (BANRURAL) in late June confirmed that the Mexican textile industry increased cotton imports during the first six months of the year, particularly from the US. However, Banrural officer Luis Alatorre Escobedo said Mexican textile manufacturers, some of which are subsidiaries of US companies, are importing the cotton to force Mexican producers to lower their domestic price.

The attempt by Mexican textile producers to reduce the cost of raw materials comes at a time of increased production in key areas, particularly in Durango state. For example, cotton growers in Torreon and Parras in Durango state have tripled cotton production since the advent of NAFTA in 1994. "Three years ago, cotton production was nearly dead in this region," said Julio Delgado, a cotton buyer for the local denim manufacturer Parras y Cone.

Textile manufacturers report that reduced tariffs under NAFTA have allowed the industry to become more competitive in the US market. In 1997, Mexico exported US\$8 billion in textiles and apparel to the US market, displacing China as the principal source of these products. Of total exports to the US last year, US\$3 billion involved cotton-based apparel and US\$1.7 billion was blue jeans and other denim products. (Sources: The Journal of Commerce, 06/08/98; Associated Press-Dow Jones news service, 07/21/98; Excelsior, 06/04/98, 06/22/98, 07/22/98; El Economista, 06/04/98, 07/20/98, 07/23/98)

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