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Mexico

Grain and Feed Update

Mexico Expects Strong Corn Crop Due to Favorable Weather

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Report Highlights:
Post has increased the marketing year (MY) 2016/17 corn production estimate based on expectations for a strong crop this year. This in turn will reduce corn imports. Sorghum production is down slightly this year, but is expected to increase in MY 2017/18. Rice import and export estimates for MY 2016/17 have been increased based on increased one-time sales to Venezuela. Wheat estimates remain unchanged from the USDA/Official estimates.

CORN

Production:

The corn production estimate for MY 2016/17 has been revised upward from the USDA/Official estimate to 27.4 million metric tons (MMT), reflecting the preliminary final results of the 2016 spring/summer crop from Mexico's Secretariat of Agriculture, Livestock, Rural Development, Fisheries and Foodstuffs (SAGARPA). Official sources stated that very favorable weather conditions during critical phases of the crop cycle resulted in greater yields than previously estimated and diminished the total area damaged compared with previous years. According to SAGARPA figures, during this crop cycle the total area damaged was only 154,157 hectares (ha), compared to the average of 460,000 ha in the last few years. In addition and based on official information as of May 31, 2017, the 2016/17 fall/winter crop harvest is expected to be better than previously anticipated. Sources stated that if the current favorable weather conditions continue throughout this season, the expected yield levels will be higher than previous estimates. Post/New production and harvested area forecasts for MY 2017/18 have remained unchanged form USDA/Official figures.

Consumption:

The Post/New feed and residual corn consumption estimate for MY 2016/17 has been revised downward from USDA/Official data, based on updated information from SAGARPA. According to industry sources, feed consumption is expected to increase less than previously estimated. Animal feed industry sources pointed out that the market for poultry, pork, and beef meats in Mexico could weaken in 2017 compared to recent history, largely because of reduced consumer purchasing power that the higher domestic inflation could cause. In the first months of 2017, the balance of inflation risks has shown some deterioration. Mexico's inflation rate rose more than any analyst had expected in April 2017, reaching almost 6 percent, which is practically double the official target rate, after gasoline prices surged and the peso weakened.

As a result, official sources foresee weak demand for (mainly imported) yellow corn compared to the USDA/Official estimate. At the same time, and as a result of the higher inflation rate, last May Mexico's central bank unexpectedly raised its key interest rate for a sixth straight meeting to keep the increase in consumer prices from worsening. The inflation registered in 2016 was 2.9 percent.

Trade:

The Post/New total corn import estimate for MY 2016/17 has been revised downward from USDA/Official data to 14.0 MMT. The revised data reflects the updated official information from SAGARPA and the General Customs Directorate of the Finance Secretariat (SHCP) for the first seven months of this marketing year. In addition, the private traders stated Mexican feed grains importers likely will opt to acquire more domestic corn instead of imported corn, due to the higher-than-previously-estimated domestic production.

Production, Supply and Demand Data Statistics:

Table 1: Mexico Corn Production, Supply and Demand for MY 2015/16 to MY 2017/18

Corn	2015/2016	2016/2017	2017/2018

Market Begin Year	Oct 2015		Oct 2016		Oct 2017	
Mexico	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	7207	7207	7500	7500	7150	7150
Beginning Stocks	4090	4090	5213	5213	6413	6413
Production	25971	25971	27000	27400	25000	25000
MY Imports	14011	14011	14800	14000	15500	15500
TY Imports	14011	14011	14800	13900	15500	15500
TY Imp. from U.S.	13603	13603	0	13600	0	15350
Total Supply	44072	44072	47013	46613	46913	46913
MY Exports	1559	1559	700	700	700	700
TY Exports	1559	1559	700	700	700	700
Feed and Residual	20300	20300	22000	21600	22700	22700
FSI Consumption	17000	17000	17900	17900	18000	18000
Total Consumption	37300	37300	39900	39500	40700	40700
Ending Stocks	5213	5213	6413	6413	5513	5513
Total Distribution	44072	44072	47013	46613	46913	46913
Yield	3.6036	3.6036	3.6	3.6533	3.4965	3.4965
(1000 HA) ,(1000 MT) ,(MT/HA)						

SORGHUM

Production:

The Post/New total sorghum production and harvested area estimates for MY 2016/17 have been revised downward from USDA/Official estimates, based on final official data from SAGARPA. These statistics include final results of the 2016 spring/summer crop cycle as well from available information as of May 31, 2017, for the 2016/17 fall/winter crop cycle. For MY 2017/18, the production and harvested area estimates have been revised upward and downward, respectively, reflecting the most recent planting intentions information available from official sources. Private and official sources concur that after a three-year sugarcane aphid (SCA) outbreak, the campaigns implemented by farmers and phytosanitary authorities to control and mitigate this pest have been relatively successful. These campaigns, along with the use of new and better hybrid seed varieties that are more resistant to SCA, have allowed farmers to reverse the yield reductions caused by the pest in states such as Tamaulipas and some areas of the “Bajio” region (Guanajuato, Michoacan and Jalisco).

Consumption:

For MY 2017/18, the total consumption estimate has been revised upward compared to the USDA/Official figure based on information from private sources, who indicate that higher domestic production could generate attractive prices for the livestock sector in this marketing year. The total sorghum consumption estimate for MY2016/17 has been decreased from the USDA/Official estimate based on information obtained from SAGARPA and industry contacts. They stated that lower domestic production than was previously anticipated would increase domestic sorghum prices further, provoking a decrease in animal feed demand.

Trade:

The Post/New sorghum import estimate for MY2016/17 has been revised upward from the USDA/Official estimate to 750,000 MT, based on preliminary official data from SAGARPA and SHCP for the first seven months of this marketing year.

Stocks:

Ending stocks for MY2016/17 have been revised downward from the USDA/Official estimate, due to lower-than-previously estimated production. This was reflected in the carry over for MY2017/18, which was also adjusted downward.

Production, Supply and Demand Data Statistics:

Table 2: Mexico Sorghum Production, Supply and Demand for MY2015/16 to MY2017/18

Sorghum	2015/2016		2016/2017		2017/2018	
Market Begin Year	Oct 2015		Oct 2016		Oct 2016	
Mexico	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	1678	1678	1480	1450	1700	1600
Beginning Stocks	338	338	286	286	286	186
Production	5587	5587	5400	5050	6000	6200
MY Imports	661	661	700	750	500	500
TY Imports	661	661	700	750	500	500
TY Imp. from U.S.	661	661	0	750	0	500
Total Supply	6586	6586	6386	6086	6786	6886
MY Exports	0	0	0	0	0	0
TY Exports	0	0	0	0	0	0
Feed and Residual	6200	6200	6000	5800	6300	6400
FSI Consumption	100	100	100	100	100	100
Total Consumption	6300	6300	6100	5900	6400	6500
Ending Stocks	286	286	286	186	386	386
Total Distribution	6586	6586	6386	6086	6786	6886
Yield	3.3296	3.3296	3.6486	3.4828	3.5294	3.875
(1000 HA) ,(1000 MT) ,(MT/HA)						

RICE

Production:

Total rice production and harvested area estimates for MY 2017/18 have been revised slightly downward from USDA/ Official estimates, based on updated official data from SAGARPA as of May 31, 2017. Recently, SAGARPA published the farmer planting intentions for the 2017 spring/summer crop cycle, which shows a slightly smaller-than-previously-estimated planted area, and consequently a lower production level. Similarly, the production and area harvested estimates for MY 2016/17 have been revised slightly downward, reflecting preliminary final official figures from SAGARPA.

Trade:

Mexico's total rice import estimate for MY 2016/17 has been revised upward to 860,000 MT, or 7.5 percent above the USDA/Official estimate, reflecting official data from SAGARPA and SHCP for the seven first months of this marketing year. Similarly, the export estimate for MY 2016/17 has been adjusted upward to 60,000 MT, based on the same official data. According to trade sources, Mexico's higher imports of paddy rice (mainly from the United States) in this marketing year have been driven by exports of milled rice to Venezuela. However, trade sources agree that the impressive increase in exports to this South American country (compared with previous years) should be considered a one-time occurrence. Trade sources noted Mexican millers saw a short-term business opportunity to ship large volumes to Venezuela at attractive prices for a few months of this marketing year. Reportedly, the Venezuelan government has been looking to import rice with preferential dollar exchange rates in the last few months.

Stocks:

The Post/New ending stocks estimate for MY2016/17 has been revised upward to 208,000 MT as result of higher-than-originally-estimated imports, which was reflected in the carry over for MY2017/18.

Production, Supply and Demand Data Statistics:
Table 3: Mexico Rice Production, Supply and Demand for MY2015/16 to MY2017/18

Rice, Milled	2015/2016		2016/2017		2017/2018	
Market Begin Year	Oct 2015		Oct 2016		Oct 2016	
Mexico	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	40	40	41	40	43	40
Beginning Stocks	165	165	127	127	167	208
Milled Production	156	156	190	181	199	197
Rough Production	227	227	277	263	290	287
Milling Rate (.9999)	6870	6870	6870	6870	6870	6870
MY Imports	693	693	800	860	800	800
TY Imports	731	731	800	860	800	800
TY Imp. from U.S.	647	647	0	760	0	755
Total Supply	1014	1014	1117	1168	1166	1205
MY Exports	2	2	50	60	2	2
TY Exports	2	2	50	52	2	2
Consumption and Residual	885	885	900	900	910	910
Ending Stocks	127	127	167	208	254	293
Total Distribution	1014	1014	1117	1168	1166	1205
Yield (Rough)	5.675	5.675	6.7561	6.575	6.7442	7.175
(1000 HA) ,(1000 MT) ,(MT/HA)						

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