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Mexico

Grain and Feed Annual

2014 Grain and Feed Annual

Approved By:
Dan Berman

Prepared By:
Benjamin Juarez

Report Highlights:
The marketing year (MY) 2014/15 corn production is forecast at 22.5 MMT. Despite lower prices, Mexican growers are expected to continue to plant more corn due to the lack of attractive prices from alternative crops. The Government of Mexico (GOM) has proposed a plan to shift part of Mexico's white corn production to yellow corn production. New GOM support programs targeted mainly to the grain and feed sector may also encourage more production. The Post/New MY 2014/15 wheat production forecast is 3.9 million metric tons (MMT), 15 percent higher than last year's estimate, mainly due to expanded planted area. Rice production is expected to hold mostly steady at about 194,000 MT (rough production). Production estimates for sorghum and dry beans are both forecast to decline in MY2014/15 to 7 MMT and 1.1 MM respectively.

Commodities:
Corn

Production:
The Post/New MY2014/15 (October to September) corn production forecast is 22.5 MMT with harvested area, assuming normal weather conditions, estimated at 6.9 million hectares (ha). Private and official analysts estimate that despite low prices, growers will continue planting corn in MY2014/15, due to the lack of attractive alternative crops. These same sources stated that the harvested area could increase slightly as well as production so long as enough moisture is available to foster next summer's corn planting. Another factor that could drive up corn production is the implementation of specific technical supports for corn growers under PIMAF. (PIMAF is a government program that assists growers of corn and dry beans in support of their land plots, including cost-sharing for the purchase of improved seed and fertilizers, as well as expert technical support.) According to industry sources, this support program along with the new scheme "Proagro" Productive (see corn policy section) could encourage a slight increase in the country's corn acreage.

Due favorable weather conditions, the 2013 spring/summer crop harvested mainly in November-December 2013 is reportedly of good quality. As a result, the harvested area and production for MY2012/13 have been adjusted upward from USDA/Official estimates, and also reflect the latest official information issued by SAGARPA.

Corn is grown throughout the year during two seasons: spring-summer (April-March) and fall-winter (October-September). Approximately 75 percent of Mexican corn is obtained from the spring-summer season and 65 percent of the corn is produced from dry land farming.

Corn is produced in all regions of Mexico in a wide range of agro-climatically diverse conditions by growers who differ in resource endowments, managerial structures and technical skills. Moreover, corn is the main crop and food staple in Mexico. Approximately 70 percent of the total production comes from eight states: Jalisco, Sinaloa, Puebla, Mexico, Chiapas, Guerrero, Michoacán, and Veracruz. Corn production in Mexico continues to be divided into two categories: commercial and traditional. Commercial production is practiced by large and medium growers, who produce white and/or yellow corn, while traditional refers to small and subsistence farmers who specialize mostly in white corn production. Commercial producers generally obtain higher yields and use more inputs and technology than traditional farmers.

According to available official information from the National Institute of Statistics and Geography (INEGI), 27 percent of agricultural land and 2.8 million growers are estimated to engage in corn production. More than 85 percent of those growers have landholdings smaller than 5 hectares.

The Mexican Government suspended the granting of environmental testing permits to developers of genetically engineered (GE) corn due to a legal dispute brought on by a collective group of activists that resulted in a federal judge placing a temporary injunction on all activities involving GE corn in Mexico (See 2013 GAIN Report MX3075 "Mexican Judge Blocks GE Corn Permits" and 2013 GAIN ReportMX3087 "Mexican Judge Lifts Injunction on GE Corn Permits"). It is unclear when the

Government of Mexico will be able to resume the permit approval process for release of GE corn planting.

Non-GE hybrid corn, which has shown to increase yields, is grown mostly in Sinaloa. However, these hybrids have not been widely adopted elsewhere in the country due to a combination of legal and technical issues.

Under the current administration's plan, SAGARPA is proposing to shift part of white corn producing areas to yellow corn producing areas.(See 2013 GAIN report MX3078 "Extreme Weather Conditions Bring Mixed Result to Mexico's Grain Production")

In early January 2014, producers, entrepreneurs and associations throughout the corn's chain, presented the "2020 Strategy of Promoting Yellow Corn Production in Mexico" to the Economy Secretariat (SE). This strategy seeks the conversion of one million hectares of white corn to yellow corn, in irrigated regions and good rain-fed areas by 2020, beginning with 150,000 hectares in 2014. The main objectives consist of supplying yellow corn to the domestic production chains that consume this grain, to develop permanent suppliers through the "Forward Contracts Program" (see corn Policy Section) and thus promote substituting imports of yellow corn to favoring quality domestic yellow corn.

Mexico produced roughly 1.8 MMT of yellow corn in 2012, harvested on approximately360,000 hectares. Although Mexico frequently has a surplus of white corn, it regularly needs to import nearly 8.0 MMT of yellow corn annually.
The president of the National Corn Growers Confederation of Mexico (CNPAMM) and Coordinator of the Working Group promoting more yellow corn production stated their strategy aims to accomplish the following:

- convert surplus volume of white corn to yellow corn,
- demonstrate ways to avoid marketing problems now plaguing white corn,
- promote local yellow corn in the optimal corn producing regions, demonstrating that yellow corn will supply growers with competitive varieties both in yield and quality.
- sign forward contracts between participants
- foster proper programming and promotion of crop planting
- ensure the supply of the product
- apply high productivity technology to reduce costs and increase yields
- creation of an advice chain where technical experts are available to answer producers questions
- ensure concrete agreements that will promote funding support for logistics and contracting with producers
- develop seed and related product suppliers
- organize and promote demonstration events for farmers and industry and coordinate in research and development
- align public policies at all three levels of government (municipal, state and national) that are consistent with sound management practices for a steady corn supply, while prioritizing the high productivity of yellow corn
- avoid distortions of grant type supports, such as distribution of white corn seed regardless of their regional demand or distribution of fertilizer, without a previous analysis of soil or qualified technical recommendation

- educate and involve the government more about this program and demonstrate its economic benefits.

According to private analysts, there are doubts about the feasibility of this strategy, as well as SAGARPA's proposal of conversion schemes to convince white corn growers to plant at least part of their crop to yellow corn. These sources stated that for many years there have been efforts to plant more yellow corn instead of white corn. However, for the most part, these goals have not been achieved mainly because the cost-benefit analysis conducted for and by growers reportedly have shown that planting white corn is more profitable. Among the main arguments mentioned by growers as to why they are reluctant to switch from planting white corn to planting yellow corn are:

- lower yield for yellow corn
- lack of appropriate seeds for the soil characteristics in Mexico's corn producing regions
- excessive cost of yellow seed corn.

Growers also argue that with white corn they have two market options; markets for human consumption and markets for animal feed use, while with yellow corn they only have the option of the animal feed market. Similarly, international competition for yellow corn from the U.S. and South American countries, (i.e. Brazil and Argentina) has discouraged the attempts to shift planting from white to yellow corn. Private analysts consider that only through policy decisions that will support corn growers and private companies in the corn market (i.e. refocus government supports by states and regions), could there be a good incentive to shift from planting white corn to planting yellow corn.

Consumption:

The Post/New forecast of total corn consumption for MY2014/15 is 32.2 MMT, an increase of 2.1 percent compared to previous year. This increase is expected to be driven by the expansion in Mexican livestock and poultry sectors as well as other food industries such as starch, cereal and snacks. Cornstarch production, for example, uses nearly 2.5 MMT of yellow corn annually and 90 to 95 percent of the cornstarch produced is from corn imported from the United States.

Industry sources stated that the demand of corn flour for human consumption to make tortillas has remained stable over the last few years and is expected to continue to stagnate in 2014. However, corn continues to be the most important staple crop in Mexico, with consumption of corn and tortillas accounting on average 7 percent of Mexicans' family budget. According to SAGARPA, the per capita tortilla consumption is 49 kilograms per year or 133 grams daily. It is still the most important component of the Mexican diet and has a very important place in Mexican food traditions.

Regarding feed consumption, the poultry sector continues to be the major consumer of feed grains in Mexico. The Mexican poultry sector is expected to continue to expand and modernize.
According to the National Poultry Farmers Association (UNA), the Mexican poultry industry will grow approximately 1.7 percent in calendar year (CY) 2014 over the previous year. The UNA forecasts that egg production and poultry meat sectors will grow 2 and 1.5 percent, respectively in CY 2014. The Association noted that the poultry industry is the most dynamic and successful livestock sector in Mexico and is a strategic player in the agro-food business. Approximately 6 out of every 10 kilograms of animal protein consumed in the Mexico is from either poultry meat or eggs. UNA noted that in 2013, egg production grew by 5.7 percent, which is recovering after the avian influenza H7N3 outbreak that occurred in the summer 2012.

The UNA also stated that the feed compounders' consumption for sourcing feed grains and oilseed meals that's supplied to the poultry sector has maintained an average growth rate of 2.8 percent over the period 1994-2012. In 2013, the growth rate in feed compounder consumption is estimated to have grown 2 percent over the previous year and this trend is expected to continue in 2014 (see 2014 GAIN Report MX4012 "Billion Dollar Market Retains Potential for Increased Sales")

Trade:
The Post/New total corn import forecast for MY2014/15 is expected to decrease approximately 9.6 percent compared to MY2013/14, to 10.4 MMT, due to an increase in domestic production. In MY2014/15, Mexico is forecast to export 500,000 MT, a similar level to the previous year.

The Post/New corn export estimate for MY2013/14 has been revised upward from USDA/Official estimate to 500,000 MT based on private traders information and preliminary official data from SAGARPA and the General Customs Directorate of the Finance Secretariat (SHCP) covering the first four months of the marketing year.

Stocks:
Post/New MY2014/15 ending stocks are forecast to increase to 2.71 MMT due to an increase in domestic production. The Post/New MY2013/14 ending stock estimate remains unchanged from USDA/Official estimates.

According to animal feed industry sources, SAGARPA through ASERCA, continues to conduct a detailed record of corn, sorghum and wheat stocks in Mexico. Industry sources state the rational for this detailed record is that they handle the Forward Contract Program and therefore must maintain an accurate database of grain and oilseed production and stock levels. However, this information is not published.

SAGARPA's Food and Fisheries Statistics Service (SIAP) releases information on grain and oilseed stocks on its website called "Availability-Consumption Balance (ACB). These ACB reports include information on production, imports, exports, and stocks of different commodities.

Policy:
Starting in January 2014, the new PROAGRO Productive support program was initiated (before known as PROCAMPO). The new program grants direct supports to growers with farms in operation that are appropriately registered in the PROAGRO directory (see 2013 GAIN Report MX3012 "PROCAMPO 2013 Subsidy Program Changes"). According to SAGARPA, previously under PROCAMPO guidelines, supports were allocated only under a condition of ownership - not on actual production. However, PROPAGRO Productive aims to promote agricultural production and promote a more productive, competitive and fair implementation for the countryside. Depending on the grower's level of farming operation as well as regional conditions, PROAGRO Productive supports can be channeled to training, technical assistance, mechanization, use of improved seeds or selected Creole seeds, plant nutrition, productive reconversion, crop insurance and price hedging, among others. Under PROAGRO Productive a flat rate payment for corn, sorghum, wheat, rice, and dry beans will be provided to growers for 2014 spring/summer and 2014/2015 fall/winter crop cycles. Also, SAGARPA indicated that the supports will be granted based on the size of the production unit as follows:

- Subsistence (up to five hectares of non-irrigated land and 0.2 hectares of irrigated land)

- Transition (greater than 5 hectares and up to 20 hectares non-irrigated land and greater than 0.2 hectares and up to five hectares of irrigated land), and
- Commercial (more than 20 hectares non-irrigated and more than 5 hectares irrigated).

The Subsistence growers will receive a support payment per hectare or portion of 1,300 pesos (U.S$98.48/ha). If they have three hectares of non-irrigated land and are located in the municipalities served by the "National Program Mexico Without Hunger" Program (See 2013 GAIN report MX3005, "Mexico Pushes Crusade Against Hunger Campaign"), they will receive 1,500 pesos (U.S.$ 113.63/ha). Growers who fall into the other two categories (Transition and Commercial) will receive 963 pesos per hectare (U.S. $72.95/ha).

As a result of international grain market conditions, unfavorable estimates of domestic production, as well as seasonal and regional surpluses in 2013, the Mexican Government continued to encourage forward contract purchases between farmers and buyers through the "Forward Contract Program", *Agricultura por Contrato,* (see 2008 GAIN Report MX8075 "Mexico Announces Support Program for Sinaloa White Corn"). In 2013, forward contract schemes were implemented for producers, traders and other end-users of corn, wheat, sorghum and soybeans.

This program is a subsidy system based on market prices and tools that facilitates price stability, merchandising, and marketing for Mexican producers. The Forward Contract Program includes a complex mechanism to purchase input and call options for grains and soybean growers and the processing industry. Moreover, the program mechanism is based on world prices, thereby diminishing the risk of the system being defined as price distorting. Over the recent agricultural cycles this program has shown an increase in the volume of grains and feed registered, mainly in the fall/winter crop cycles.

According to the paying agency of SAGARPA called "Agency of Marketing Services and Development of Agricultural Markets" (ASERCA), for CY2013, supports were granted for the marketing of 26.3 MMT of grains and soybeans, which is a 3 percent increase in supports from the previous year. Among the main grains supported were white corn, wheat (bread wheats and durum) and sorghum. In addition, approximately 86 percent of total government supports were granted through the Forward Contract Program and Price Hedging. Following is the breakdown of the supports granted by ASERCA by concept and type of supports in the 2013 Calendar Year (January-December):

PREVENTION PROGRAM AND RISK MANAGEMENT ("Forward Contracts")
Budget advancement by Concept and/or Type of Support
Calendar Year 2013 (1000 MT and Pesos)

PRODUCT	SUPPORT FOR PRODUCERS		SUPPORT FOR BUYERS		SUPPORT FOR PRODUCERS AND/OR BUYERS FOR HEDGING		TOTAL	
	Volume (MT)	Amount (Pesos)	Volume (MT)	Amount (Pesos)	Volume (MT)	Amount (Pesos)	Volume (MT)	Amount (pesos)

Cotton	0.00	0.00	0.00	0.00	100.92	151,958.09	100.92	151,958.09
Rice	0.00	0.00	0.00	0.00	74.48	7,547.41	74.48	7,547.41
Coffee	0.00	0.00	0.00	0.00	44.63	90,020.05	44.63	90,020.05
Safflower	0.28	989.84	0.00	0.00	0.00	0.00	0.28	989.84
Barley	0.00	0.00	0.00	0.00	2.99	296.56	2.99	296.56
Bean	0.00	0.00	111.00	167,039.87	0.00	0.00	111.00	167,039.87
Cattle	0.00	0.00	0.00	0.00	61,71	44,237.05	61.71	44,237.05
Swine	0.00	0.00	0.00	0.00	116.61	99,402.18	116.61	99,402.18
Corn	3,739.47	1,213,386.50	1,987.37	502,786.31	7,143.45	1,836,924.93	12,870.28	3,553,097.74
Sorghum	1,679.56	616,014.98	47.89	6,714.52	4,347.92	1,128,814.25	6,075.37	1,751,543.75
Soybean	0.29	11.18	0.00	0.00	165.61	56,519.62	165.90	56,530.80
Wheat	2,474.96	644,104.11	172.72	34,879.99	4,066.14	1,074,856.13	6,713.83	1,753,840.22
Total	**7,894.56**	**2,474,506.61**	**2,318.99**	**711,420.68**	**16,124.45**	**4,490,576.27**	**26,338.00**	**7,676,503.56**
(%)	29.97	32.23	8.80	9.27	61.22	58.50	100.00	100.00

Source: ASERCA (Agency of Marketing Services and Development of Agricultural Markets)
Exchange rate: U.S. $ 1.00=13.20 pesos

Production, Supply and Demand Data Statistics:

Table 1: Mexico, Corn Production, Supply and Demand for MY2012/13 to MY2014/15

Corn Mexico	2012/2013		2013/2014		2014/2015	
	Market Year Begin: Oct 2012		Market Year Begin: Oct 2013		Market Year Begin: Oct 2014	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	6,896	6,896	6,760	6,830		6,900
Beginning Stocks	1,316	1,316	1,061	1,061		2,461
Production	21,591	21,591	21,700	21,900		22,500
MY Imports	5,676	5,676	11,500	11,500		10,400
TY Imports	5,676	5,676	11,500	11,500		10,400
TY Imp. from U.S.	4,875	4,875	0	10,600		10,000
Total Supply	28,583	28,583	34,261	34,461		35,361
MY Exports	522	522	300	500		500
TY Exports	522	522	300	500		500
Feed and Residual	11,000	11,000	15,000	15,000		15,500
FSI Consumption	16,000	16,000	16,500	16,500		16,650
Total Consumption	27,000	27,000	31,500	31,500		32,150
Ending Stocks	1,061	1,061	2,461	2,461		2,711
Total Distribution	28,583	28,583	34,261	34,461		35,361
1000 HA, 1000 MT, MT/HA						

Commodities:
Wheat

Production:

Total Mexican wheat production for MY 2014/15 (July-June) is forecast at 3.87 million metric tons (MMT), approximately 15 percent greater than the previous year estimate. An expansion in planted area in Mexico's wheat producing regions is the primary reason for the increase.

Private industry sources stated that in general, weather conditions have been favorable in the 2013/14 fall/winter crop production cycle. In Guanajuato, for example, December rains provided enough soil moisture for plant development, resulting in favorable yields estimated at 7.19 metric tons /hectare (MT/ha), a level substantially higher than the previous year (3.45 MT/ha). In 2013, Guanajuato was adversely affected by the lack of water coupled with a March freeze that damaged nearly 80 percent of the 2012/13 fall/winter harvest. The higher yields in Guanajuato this crop cycle, along with higher planted area, should result in 550,000 MT of wheat being produced in that state. That level of production should compensate for the slightly lower production level in Sonora.

Wheat production in Mexico is spread throughout the country, with the largest producing states being Sonora, Baja California and Guanajuato, which together account for approximately 65 percent of total wheat production in Mexico. Wheat is produced throughout the year during two seasons: fall/winter (planted in the fall and winter season and harvested the following spring and summer) and spring/summer (planted in spring and summer and harvested the following fall and winter). Approximately 90 percent of Mexican wheat is obtained from the fall/winter crop cycle.

Yields from the state of Sonora are estimated at 6.38 MT/ha, which is slightly lower compared with the previous year. Market analysts indicated that planting area in Sonora, as of December 31, 2013, was down approximately 50,000 hectares because of insufficient water supplies. In the south of Sonora, for example, growers decided to plant less wheat and more safflower due to lower water requirements for this crop. Sources stated despite the storm "Manuel" that impacted much of the north of Mexico in September 2013, it did not reach Sonora and rains were scarce to replenish water reservoirs which are commonly used for irrigation by the growers. As a result, many growers were prevented from planting their wheat crop. Private analysts stated that under normal weather patterns the rains should have arrived in September allowing Sonora wheat growers to plant their crop more timely. However, it was not until October that the rains, considered to be erratic, were recorded. This irregular rain pattern factor, along with lower planted area in Sonora, should result in 1.8 MMT of wheat in the State, while Mexicali in Baja California, should produce approximately a half million metric tons. Despite the relative damage caused by the lack of water in Sonora, it's expected the lower production of wheat in the state will be more than offset by greater production in Guanajuato.

The Post/New total wheat production and area harvested estimates for MY2013/14 (July to June) have been revised slightly downward and upward, respectively, from USDA/Official estimates reflecting the most recent data from the Secretariat of Agriculture, Livestock, Rural Development, Fisheries and Food (SAGARPA).

Mexico produces two wheat varieties, durum (or crystalline) and milling wheat. Traditionally, Mexico imports more wheat than it exports. Mexico produces less bread varieties (i.e., hard red winter and hard red spring) and more durum (or crystalline). Mexican wheat growers continue to find that durum wheat is easier to grow and they receive better yields compared to other varieties.

Since most of the wheat production in the major growing regions is irrigated, average yields are expected to be around 5.5 MT/ha. According to SAGARPA, nearly 82 percent of the nationwide wheat planted area is irrigated. In general, due to favorable weather conditions, the 2013/14 fall/winter crop has been reported to be of relatively high quality in the main producing states.

Industry sources stated that soft wheat from the central plateau (mainly Guanajuato) is of great value to the flour milling industry, despite having mild gluten, it is used to make products like cookies. In addition, unlike other soft wheat in the world, the soft wheat of the central plateau region also serves to produce breads. Mexico generally produces approximately 2.0 MMT of durum (or crystalline) wheat of which the domestic milling industry demands nearly 700,000 MT, that is used by the millers primarily to elaborate semolina for pasta, soup and semolina destined for export. Although as much as 40 percent of Mexican durum production is regularly marketed as animal feed, it is expected that this amount will be lower in 2014 due to the availability of alternative competitively priced feed grains in Sonora and Sinaloa. The surplus of the durum wheat is expected to be exported to other countries.

Consumption:
Mexico's total consumption for MY2014/15 is expected to increase approximately 2.4 percent over previous year in part due to the continued popularity and interest among Mexican consumers for wheat-baked products throughout many parts of the country and the good performance of the wheat flour industry, which is expected to continue to grow at the same 3 percent rate as it has over the last few years. Population growth (at 1.1 percent) should be another factor driving this increase. In contrast, demand for wheat feed and residual use is expected to remain unchanged at 200,000 MT, as cheaper feed grain alternatives, mainly corn, will take greater market share. Market analysts expect that farmers in the northwest of Mexico, who traditionally use part of their crop for animal feed, will substitute corn for wheat, considering corn's higher availability and affordable prices in MY 2014/15.

The wheat milling industry continues to be the most important destination for U.S. wheat. According to most recent data from the Mexican Millers Association (CANIMOLT), Mexico has 89 different millers that process approximately 6.0 MMT of wheat and produce 4.5 MMT of flour and semolina each year. The remaining byproducts (bran mainly) are consumed by the livestock sector. The millers have a capacity of approximately 8.44 MMT of production, which represents a growth of 5 percent compared with the previous available data (2010). Moreover, the millers reported they were operating at 71 percent of capacity in 2012, against 68 percent reported in 2010. Several millers located in the central plateau region of Mexico, reported even greater capacity in 2013, operating at 85 to 90 percent of capacity.

CANIMOLT stated the wheat milling industry in Mexico has been consolidating over the last few years through acquisitions and mergers. For example, Bunge North America recently acquired the wheat milling business of the "Altex" group, a leading Mexican wheat miller. This Group operates six mills with an annual processing capacity of approximately 800,000 MT that produces a broad portfolio of products sourced from many varieties of wheat. Products include bread flour, prepared flours for baked goods, tortillas, pizza and semolina for pasta. Private sources stated that these mills are well placed to serve Mexico's key population centers and will complement Bunge's existing business, "Harinera La Espiga", to provide nationwide coverage to key flour customers. Approximately, 51 percent of the installed milling capacity is located in or around Mexico City, Toluca and Puebla metropolitan areas, where slightly more than 50 percent of the Mexican population is located.

Based on CANIMOLT information, artisanal or the traditional bakery, remains the main customer for the milling industry (56 percent), followed by industrial bakery (13 percent), the biscuit industry (11 percent), pasta industry (10 percent), manufacturers of flour tortillas (5 percent), and other industries that produce toppings, snacks, breakfast cereals, etc. (5 percent).

According to CANIMOLT, per-capita wheat flour (including semolina) consumption is approximately 39 kilograms, representing an increase of 11.4 percent over the past five years. This increase is due, in large part, to the growing popularity of bread consumption throughout Mexico. For example, the consumption of whole-grain bread, wheat for tortillas and whole-grain cookies has steadily increased since 2009. In the case of wheat flour tortillas, for example, it is a preferred food for consumers in Northern Mexico. Wheat floured tortillas have now gained a wider market penetration throughout most parts of the country and in all socioeconomic strata, especially within the past 5 years. This phenomenon is mainly due to the industrialization of the wheat industry over recent years. Consequently, consumers have the option to purchase handmade flour tortillas, prepared by industrial bakeries, or manufactured in supermarket in-store bakeries.

Base on the National Association of Bakery Industry (CANAINPA) data, bread is a common staple food in Mexican households and is part of a long-held tradition and food culture. As a result, Mexico is considered as one of the nations with the most varieties, types and flavors of bakery goods. For example, Mexico is known to have more than 1,000 kinds of sweet and savory bread. From 2002 to 2012, supermarket bakeries and stores had a phenomenal growth rate of 301 percent. The pasta and instant cup noodle sectors have also seen large growth in consumption. Growth rates in these sectors are expected to continue well into the future.

Trade:
Total wheat imports in MY 2014/15 are forecast to decline from MY 2013/14 to 3.7 MMT, due in part to an increase in domestic production. As usual, price and quality will decide the import source. Industry sources have stated that higher domestic production, compared to previous years, should result in decreased imports.

In the case of animal feed, if the price is attractive to the feed industry relative to other crops, such as corn, wheat forage may be acquired by Mexico's hog and poultry producers. For example, in 2010 and 2011 the livestock sector played an important role in driving Mexico's wheat imports, derived mainly from unfavorable price conditions in the domestic and international corn market. However, in 2012 and 2013, the importance of the livestock sector related to wheat imports for animal feed decreased substantially due to affordable prices for other feed grains like corn.

In MY 2014/15, Mexico is forecast to decrease exports approximately 10.0 percent compared to MY2013/14, due to an increase in domestic consumption. Mexico is the fourth largest exporter of durum in the world after Canada, the EU and US. Durum production is forecast to have another great year in MY 2014/15, and exports should continue to keep a good pace mainly to countries of, Algeria, Turkey, Libya and Italy, which represented approximately 90 percent of all durum exports in 2013. According to private sources, Mexico has developed durum wheat varieties called "Gold", which meet the high quality standards for elaborate pastas and could eventually be attractive to the Italian market.

Stocks:
Post/New MY2014/15 ending stocks are forecast to increase slightly to 470,000 MT, due primarily to an increase in domestic production. The Post/New MY 2013/14 stock estimate has been decreased slightly from USDA/Official estimate due to lower-than-previously estimated domestic production.

SAGARPA's Food and Fisheries Statistics Service (SIAP) releases information on grain and oilseed stocks on its website called "Availability-Consumption Balance (ACB). These ACB reports include information on production, imports, exports, and stocks of different commodities.

Policy:
Please see the corn policy section for information.

Production, Supply and Demand Data Statistics:
Table 2: Mexico, Wheat Production, Supply and Demand for MY2012/13 to MY2014/15

Wheat Mexico	2012/2013		2013/2014		2014/2015	
	Market Year Begin: Jul 2012		Market Year Begin: Jul 2013		Market Year Begin: Jul 2014	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	579	579	634	637		700
Beginning Stocks	575	575	278	278		450
Production	3,231	3,231	3,382	3,372		3,870
MY Imports	3,826	3,826	4,300	4,300		3,700
TY Imports	3,826	3,826	4,300	4,300		3,700
TY Imp. from U.S.	3,014	3,014	0	3,900		3,400
Total Supply	7,632	7,632	7,960	7,950		8,020
MY Exports	729	729	1,000	1000		900
TY Exports	729	729	1,000	1000		900
Feed and Residual	425	425	200	200		200
FSI Consumption	6,200	6,200	6,300	6,300		6,450
Total Consumption	6,625	6,625	6,500	6,500		6,650
Ending Stocks	278	278	460	450		470
Total Distribution	7,632	7,632	7,960	7,950		8,220
1000 HA, 1000 MT, MT/HA						

Commodities:
Sorghum

Production:
The Post/New total Mexican sorghum production estimate for MY2014/15 (October/September) is forecast at 7.0 MMT, 4.1 percent lower than the previous year's estimate. This decrease is due to a reduction in planted area in Mexico's sorghum producing areas. According to industry and official sources, some sorghum production areas could shift over to corn production areas. Many growers who have flexible use of their acreage may look to corn, primarily due to two factors:

- Expected government supports to promote higher cultivation of yellow corn instead of sorghum or white corn. In Tamaulipas, for example, growers who switch from sorghum to yellow corn will receive from the state government a monetary incentive of 350 pesos per metric ton (roughly U.S. $26/MT) for yellow corn that is produced in the 2013/14 fall/winter crop cycle.

Tamaulipas produces the largest percentage of Mexico's fall/winter sorghum crop, and livestock and poultry producers in several neighboring regions are dependent upon this crop for feed.

- Animal feed demand for sorghum is expected to ease in MY2014/15 as corn will make for a cheaper alternative. Private sources stated that they expect total sorghum feed demand to fall by around 4 percent in MY 2014/15 as the relative spread between sorghum and corn production could widen to its highest level in in years, thus encouraging substitution to yellow corn.

The Mexican Government continues to encourage forward contract purchases between farmers and feed millers through the Forward Contract Program for 2013/14 fall/winter Tamaulipas sorghum (see Corn policy section). Private sources state that approximately 2.3 MMT has been forward contracted in Tamaulipas through this program as of February 15, 2014. The harvest season is expected to start the last week May and end in June. Overall crop conditions are reportedly very good in Tamaulipas due to the favorable weather conditions. Consequently, a high quality crop is expected. The expectation is that Tamaulipas will produce approximately 2.3 MMT during the 2013/14 fall/winter crop cycle.

In MY 2012/13, Mexico was the world's second largest producer of sorghum, after the United States, and followed by Nigeria, India and Argentina. Moreover, Mexico has been the largest importer of sorghum from the United States. Sorghum production in Mexico is spread throughout the country. The largest producing states are Tamaulipas, Guanajuato, Michoacán, Sinaloa, Nayarit and Jalisco, which all account for approximately 86.4 percent of total sorghum production in the country. Approximately 45 percent of the fall/winter sorghum crop is irrigated, while nearly 23 percent of the spring/summer crop is irrigated.

Consumption:
For MY 2014/15 total consumption is forecast to decrease 4 percent compared to the previous year, based on information from private sources. Feed consumption is expected to shift somewhat from sorghum to corn, due to expected higher domestic corn production. Moreover, private sources stated that lower corn prices are stimulating Mexico's import demand for yellow corn from the animal feed sector, and the United States continues to be the main supplier to cover that demand. Lower corn prices have also stimulated a surge in the demand for domestic corn production (as well as import demand), thus making sorghum less competitive. This trend is expected to continue.

Trade:
Imports for MY 2014/15 are forecast to decrease by 200,000 MT to 300,000 MT due to the very bearish demand from feed millers and poultry and hog producers. Industry sources stated that demand is likely to decrease if sorghum prices become high-priced relative to corn. These sources expect lower sorghum feed use and further declines in corn prices, which should encourage expansion in the poultry and hog sectors. The poultry industry continues to be the major consumer of sorghum in Mexico, using the crop primarily in the form of mixtures and feed concentrates.

Stocks:
Despite the decrease in harvested area and imports, ending stocks for MY 2014/15 are forecast to remain the same as the previous year's estimate at 481,000 MT due to a decrease in feed consumption. The ending stock estimate for MY 2013/14 has remained unchanged compared with USDA/Official data.

Policy:
Please see the corn policy section for information.

Production, Supply and Demand Data Statistics:

Table 3: Mexico, Sorghum Production, Supply and Demand for MY2012/13 to MY2014/15

Sorghum Mexico	2012/2013		2013/2014		2014/2015	
	Market Year Begin: Oct 2012		Market Year Begin: Oct 2013		Market Year Begin: Oct 2014	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	1,644	1,644	1,900	1,900		1,830
Beginning Stocks	418	418	281	281		481
Production	6,174	6,174	7,300	7,300		7,000
MY Imports	1,789	1,789	500	500		300
TY Imports	1,789	1,789	500	500		300
TY Imp. from U.S.	1,360	1,360	0	320		500
Total Supply	8,381	8,381	8,081	8,081		7,781
MY Exports	0	0	0	0		0
TY Exports	0	0	0	0		0
Feed and Residual	8,000	8,000	7,500	7,500		7,200
FSI Consumption	100	100	100	100		100
Total Consumption	8,100	8,100	7,600	7,600		7,300
Ending Stocks	281	281	481	481		481
Total Distribution	8,381	8,381	8,081	8,081		7,781
1000 HA, 1000 MT, MT/HA						

Commodities:
Rice, Milled

Production:
Rice production for MY 2014/15 (October-September) is forecast to remain stable at the previous year's estimated level of 194,000 MT (rough production), mainly due to the same level of planted area. However, according to private sources, other factors also play into why Mexico's rice production remains somewhat stagnant, including a deteriorating agricultural infrastructure, land degradation, untimely or inadequate financial support, and increased imports worldwide. This year's rough rice production level converts to 133,000 MT of milled rice. At best, rice production is expected to remain stable or only gradually increase over the next few years.

The main rice producing states continue to be Nayarit, Michoacán, Campeche, Colima and Veracruz, with approximately 78 percent of total national production.

Private and official sources have agreed that due to the lack of specific governmental supports and unfavorable financing along with strong competition from imported rice, not only from the United

States, but also from other origins such as Uruguay and lower-priced Vietnam, have discouraged farmers to plant rice. In addition, due to low international prices, many domestic rice producers are being discouraged to increase their production since the MY2014/15 outlook appears to be a less than profitable proposition.

Most rice production in the major growing regions is irrigated, average yields are expected to be 5.88 MT/Ha, slightly lower than the previous year. Given the increase in input costs, many producers may not have the financial resources to acquire certified seed or renew their infrastructure requirements. Thus, in certain areas, yields may be lower this year.

Consumption:
The Post/New MY2014/15 rice consumption forecast is 880,000 MT, a 2.3 percent increase from the previous marketing year. Affordable prices and population growth are the two main factors that should drive consumption of rice in MY2014/15. Private sources stated that although Mexico's per capita rice consumption is quite low (7.8 kilograms) compared with other countries in Latin America, it has continued to grow at a slightly higher rate than the population rate growth (1.1 percent) and thus the potential to increase.

Trade:
The Post/New rice import forecast for MY2014/15 is expected to reach 775,000MT, an increase of 3.3 percent compared to MY2013/14. The increase is mainly due to the insufficient domestic production relative to consumer demand. Exports in MY 2014/15 are forecast to remain unchanged compared to figures from MY2013/14 and staying consistent with past exported volumes of the last few years.

Mexico remains the top market for U.S. rice overall both in terms of quantity and value. Noteworthy, is that the value of total U.S. rice exports to Mexico exceeds the total of U.S. rice exports to our two combined major markets of Canada and Japan. Based on industry information, during 2012 Mexico maintained its position as the top destination for U.S. paddy rice and brown rice, ranked number 3 in long grain milled rice, number 4 in parboiled rice, and number 9 in medium grain rice. This trend also held in 2013.

On the other hand, according to industry sources, Mexico has continued to look for price competitive imported milled rice from origins other than the United States. In CY2010, for example, U.S. milled rice had 97 percent of Mexico's milled rice market share. With the arrival of high quality long grain milled rice from Uruguay (see 2013 GAIN report MX3024 "Favorable Growing Conditions for a Higher Corn, Wheat, and Dry Beans Forecast, Sorghum Mixed, Rice Down") the U.S. market share drop to 76 percent by the end of CY2011. In CY2012, imports of Uruguayan milled rice continued to increased and lower-priced rice from Pakistan began to be imported. As a result, the U.S. market share declined to 65 percent by the end of 2012. This negative trend continued during the first six months of 2013, until phytosanitary concerns provoked the Mexican Government to suspend the importation of rice imports from Pakistan (see 2013 GAIN Report MX3059 Drought Brings Down Mexico's Grain Production"). In the meantime, low priced milled rice imports from Vietnam surged, bringing on another threat of competition for U.S. milled rice in Mexico. As a result, by the end of CY2013, the U.S. market share for milled rice had fallen to 51 percent. Private analysts estimate that as a result of the higher quality U.S. 2013/14 rice crop, the U.S. should compete successfully with Uruguayan imports, but that's hardly the

case against Asian rice (mainly Vietnam). It is expected that low-priced Asian rice will continue to threaten U.S. rice market share in the Mexican market.

Mexican millers, at the same time, are also facing increased price pressure from imported Asian milled rice. Industry sources indicate that Mexican millers have begun to look at other origins for paddy rice (such as Brazil and Vietnam) and even other sources of milled rice in order to successfully compete in this changing marketplace landscape.

The U.S. rice cooperators stated that they will continue with aggressive trade servicing and promotional activities. The cooperators have demonstrated that they are committed to ensuring that the United States retains a dominant share of Mexico's rice import market and will continue to highlight that the U.S. is a consistent, reliable, and timely supplier of high-quality rice, both in paddy and milled forms.

Stocks:
The forecast for ending stocks in MY 2014/15 is 215,000 MT, an increase of approximately 13.8 percent over the previous marketing year as the trend of higher imports continues. On the back of a 25,000 MT hike in Mexico's imports, the stocks-to-use ratio for MY2014/15 is set at 24.2 percent, up from 21.9 percent recorded in previous marketing year.

Policy:
Please see the corn policy section for information.

Production, Supply and Demand Data Statistics:

Table 4: Mexico, Rice Production, Supply and Demand for MY2012/13 to MY2014/15

Rice, Milled Mexico	2012/2013		2013/2014		2014/2015	
	Market Year Begin: Oct 2012		Market Year Begin: Oct 2013		Market Year Begin: Oct 2014	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	35	35	32	32		33
Beginning Stocks	152	152	168	168		189
Milled Production	131	131	135	133		133
Rough Production	191	191	197	194		194
Milling Rate (.9999)	6,870	6,870	6,870	6,870		6,870
MY Imports	725	725	750	750		775
TY Imports	725	725	750	750		775
TY Imp. from U.S.	0	582	0	660		680
Total Supply	1,008	1,008	1,053	1,051		1,097
MY Exports	2	2	2	2		2
TY Exports	2	2	2	2		2
Consumption and Residual	838	838	860	860		880
Ending Stocks	168	168	191	189		215
Total Distribution	1,008	1,008	1,053	1,051		1,097
1000 HA, 1000 MT, MT/HA						

Commodities:

Dry Beans

Production:

The Post/New edible dry bean production for MY2014/15 (January to December) is forecast to decrease approximately eight percent to 1.1 MMT, assuming normal precipitation. Current low producer prices are the main reason for the forecasted decrease, which should be reflected in lower planted area. The area harvested for MY 2014/15 is forecast to reach 1.6 million hectares. It should be noted, however, that this harvested area reflects a normal dry bean crop and assumes normal weather conditions. The harvested area estimate for MY2012/13 has been revised slightly upward based on SAGARPA's most recent information, which includes an update for the 2013 spring/summer crop cycle and a preliminary estimate for MY2013/14 fall/winter crop cycle. According to industry sources, in MY2012/13 growers increased the planted area under the expectation of receiving higher prices. Consequently, this resulted in above average planted area.

The overall yield for the MY 2014/15 dry bean crop in Mexico is expected to reach approximately 0.7 MT per hectare, which is similar to the average yield registered in MY2013/14. Industry sources estimate that the 2013 spring/summer crop cycle will produce approximately 920,000 MT of edible dry beans. While for the 2013/14 fall/winter crop cycle the estimation could produce approximately 300,000 MT, mainly in Sinaloa and Nayarit, states that produce nearly 72 percent of this total. Dry beans are cultivated practically in all regions, soil conditions and climates of Mexico. Dry beans are second in importance within the overall acreage nationwide, only after corn. However, weather and water availability continue to be the predominant crop production factors, which is aggravated in regions with low rainfall including the regions Zacatecas, Durango and Chihuahua, which are some of the main producing states. Over 85 percent of Mexico's dry bean production area is rain-fed.

As a result of low farmer gate prices, SAGARPA through its paying agency ASERCA, has continued to support its dry bean trading assistance scheme (see 2014 GAIN Report MX4009 "Low Prices Help Drive Down Mexico Corn Production, While Sorghum, Rice and Dry Bean Production Up"). For example, on February 5, 2014, SAGARPA announced details to support dry bean trading in Sinaloa. Among the main characteristics of this Assistance Scheme are the following:

- The Program will support up to 50,000 MT of dry beans of the "Azufrado" variety (known in the U.S. as Peruvian/Mayacoba beans) and pinto beans for the 2013/14 fall/winter crop cycle.
- ASERCA will cover storage and financial costs up to 2,000 pesos per metric ton (U.S.$151.50/MT).
- For pinto beans, ASERCA will implement a scheme of direct grower support of 2 pesos per kilogram (U.S.$015/Kg) and 1,500 pesos per metric ton (U.S.$114/MT) to cover operating expenses of elevator companies, for up to 15,000 MT, if they adhere to the Scheme.
- The Program will guarantee a price of 11 pesos per kilogram (U.S.$0.83/Kg) for pinto beans. It should be noted that this total volume of 15,000MT will be targeted for export.

According to private sources, despite the efforts of the Mexican Government, the Assistance Scheme in Sinaloa has failed to have a favorable impact on farmer gate prices. Reportedly, elevators have collected only a very small amount of dry beans, leaving unfulfilled the Scheme's storage goal of 35,000 MT at a price of 16 pesos per kilogram for the "Azufrado" beans (U.S. $1.20/Kg). In contrast, free market

buyers are paying 12 to 13 pesos per kilogram (U.S. $0.90 to 0.98/Kg) for Azufrado beans and sell them for 13 to 14 pesos per kilogram (U.S.$0.98-1.03/Kg).

Similarly in Zacatecas, official sources stated that because of the lack of liquidity, elevator companies had collected bean deliveries of only 75,000 MT out of the 120,000 MT initially agreed to with ASERCA. This led to serious manifestations of dissatisfaction due to the delay in payments to growers, in some cases growers have been waiting for payment since last December. As a result, beans prices have fallen below 6 pesos per kilogram (U.S.$0.45/Kg), when the price agreed in the Assistance Scheme was 10 pesos per kilogram (U.S. $0.75/Kg).

Consumption:
The Post/New MY2013/14 forecast for dry bean consumption is 1.2 MMT, an increase of approximately 1.1 percent over last year's estimate. This increase is driven basically by population growth expectations. The Post/New consumption estimate for MY2012/13 has been revised upward to 1.21 MMT, reflecting the most recent official data from SAGARPA.

Despite the fact that dry beans continue to be a basic staple in Mexico, consumption has declined over the last few years. Among the major changes that dry bean consumption is facing is a changing society, including a change in eating habits because of urbanization, migration and employment, and the transition from a closed economy to a global economy. For example, increasingly in Mexico, both parents are working outside of the home which is forcing a change in the food consumption habits. Because of the amount of time required to prepare beans, bean consumption has declined as the opportunity cost for other convenience products has increased. All of these factors are putting pressure on various stages of the dry beans production, marketing, processing and consumption chains.

Dry bean consumption in Mexico is divided into various regions. Generally, northern Mexico is where clear varieties are consumed. These clear varieties are grown mainly in Sinaloa. Whereas, a large portion of black beans are cultivated in Nayarit and Zacatecas, with consumption demand mostly concentrated in the central and southern regions of the country.

Trade:
The Post/New import forecast is 135,000 MT for MY2014/15, slightly higher from the MY2013/14 estimate as a result of the lower than expected domestic production. Noteworthy, is that this level of imports represents 11 percent of Mexico's total dry bean consumption, which is similar to the level of the previous marketing year. The Post/New edible dry beans import and export estimates for MY2013/14 have been revised downward and upward, respectively, based on final official data from SAGARPA and the General Customs Directorate of the Finance Secretariat (SHCP) covering the twelve months of the marketing year.

Stocks:
Ending stocks for MY2013/14 have been revised downward to 246,000 MT due to higher-than-previously estimated domestic consumption. For MY2014/15, ending stocks are forecast to decrease further due to expected contraction of domestic production.

Production, Supply and Demand Data Statistics:

Table 5: Mexico, Dry Beans Production, Supply and Demand for MY2012/13 to MY2014/15

Dry Beans Mexico	2012/2013		2013/2014		2014/2015	
	Market Year Begin: Jan 2012		Market Year Begin: Jan 2013		Market Year Begin: Jan 2014	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	0	1559	0	1740	0	1600
Beginning Stocks	0	8	0	137	0	246
Production	0	1063	0	1220	0	1120
MY Imports	0	232	0	133	0	135
TY Imports	0	232	0	133	0	135
TY Imp. from U.S.	0	172	0	117	0	120
Total Supply	0	1303	0	1490	0	1501
MY Exports	0	16	0	31	0	31
TY Exports	0	16	0	31	0	31
Feed Consumption	0	0	0	0	0	0
FSI Consumption	0	1150	0	1213	0	1227
Total Consumption	0	1150	0	1213	0	1227
Ending Stocks	0	137	0	246	0	243
Total Distribution	0	1303	0	1490	0	1501
1000 HA, 1000 MT, MT/HA						

Author Defined:

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For More Information:

FAS/Mexico Web Site: We are available at www.mexico-usda.com.mx or visit the FAS headquarters' home page at www.fas.usda.gov for a complete selection of FAS worldwide agricultural reporting.

Other Relevant Reports Submitted by FAS/Mexico

Report Number	Title of Report	Date Submitted
MX4009	Low Prices Help Drive Down Mexico Corn Production, While Sorghum, Rice and Dry Bean Production Up	01/31/2014
MX3078	Extreme Weather conditions Bring Mixed Result to Mexico's Grain Production	10/31/2013
MX3024	Favorable Growing Conditions for Higher Corn, Wheat, and Dry Beans Forecast, Sorghum Mixed, Rice Down	3/15/2013
MX3010	Grain Production Up Due to Good Weather Conditions	01/29/2013
MX2073	Grain and Feed Annual Report Update Mexico	10/26/2012
MX2054	Favorable Growing Conditions Higher Corn, Sorghum and Rice Forecast	07/30/2012
MX2023	Grain and Feed Annual Report Update	04/23/2012

Useful Mexican Web Sites: Mexico's equivalent to the U.S. Department of Agriculture (SAGARPA) can be found at www.sagarpa.gob.mx, equivalent to the U.S. Department of Commerce (SE) can be found at www.economia.gob.mx and equivalent to the U.S. Food and Drug Administration (SALUD) can be found at www.salud.gob.mx. These web sites are mentioned for the readers' convenience but USDA does NOT in any way endorse, guarantee the accuracy of, or necessarily concur with, the information contained on the mentioned sites.