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Mexico

Grain and Feed Update

Low Prices Help Drive Down Mexico Corn Production, While Sorghum, Rice and Dry Bean Production Up

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Report Highlights:
Post's total corn production estimate for MY2013/14 (October-September) has been revised downward to 21.5 million metric tons (MMT) due to lower planted area. Official sources stated several Mexican states planted more sorghum than initially expected during the 2013/14 fall/winter crop cycle as lower domestic corn prices provided incentives to shift from planting corn to planting sorghum, leading to a higher production estimate for MY2013/14. Also, the Post/New MY2013/14 (October/September) rice production and dry beans (January/December) have been revised upward to 193,000 MT and 1.22 MMT respectively, based on updated information from official and private sources. No changes reported for wheat since last report (GAIN Report MX3078).

Corn

Production:
Post's total production estimate for MY 2013/14 (October-September) has been revised downward from USDA Official estimate to 21.5 MMT, due to more complete data from the Secretariat of Agriculture, Livestock, Rural Development, Fisheries and Food (SAGARPA). Corn output estimate was reduced due to lower-than-expected planted area. Official sources stated that in some corn producing areas, such as Sinaloa and Tamaulipas, growers decided to shift from planting white corn to planting sorghum due to the severe decline in domestic and international corn prices during the 2013/14 fall/winter crop cycle. According to industry sources, domestic corn prices have declined approximately 38 percent in the last 14 months, which has adversely impacted growers' income. Moreover, international corn prices are expected to continue to trend slightly lower in 2014 as a result of a record U.S. harvest combined with rising production from increased global acreage. Another factor that affected production was excess rains in states such as Campeche, Chiapas and the Bajio region (which includes Guanajuato, Michoacán and Jalisco) that resulted in reduced yields in the 2013 spring/summer crop cycle.

Corn growers in several producer states have organized demonstrations in recent months demanding support from the Mexican government for better corn prices. In Jalisco, for example, corn growers blocked highways last December demanding a payment of 4,100 pesos per metric ton (roughly U.S. $310 per MT). Later, the corn growers agreed with the state of Jalisco's governor, to lift their blockades, after securing a commitment from the governor that the growers would receive payment of 4,100 pesos per MT. Reportedly, this agreement represents an additional payment of 450 million pesos (U.S $34.00 million) to those growers that signed "Forward Contracts" for a total of 2.1 MMT in the state of Jalisco. Corn growers in Jalisco were receiving between 2,700 pesos and 3,740 per MT, depending whether or not they were signed up under the "Forward Contract Program". (The Forward Contract Program is a subsidy system based on market prices and tools that facilitates price stability, merchandising, and marketing for Mexican producers.) It is unclear if the price difference disbursed to Jalisco corn growers will be paid by the state or by the federal government.

Additionally, official sources stated that SAGARPA will continue to promote conversion schemes (i.e. government supports) to help prevent further falling prices and the adverse impact on grower livelihoods. In most years, Mexico has a surplus of white corn. Now the Mexican government is making efforts to convince corn growers to plant at least part of their crop to sorghum or other grains, including yellow corn.

Trade
The Post/New total corn import forecast for MY2013/14 has been revised upward from USDA/Official data to 11.2 MMT, due to lower than previously estimated domestic corn production. Post's export estimate for MY 2013/14 has remained unchanged.

Production, Supply and Demand Statistics

Table 1: Mexico, Corn Production, Supply and Demand for MY2011/12 to MY2013/14

Corn Mexico	2011/2012		2012/2013		2013/2014	
	Market Year Begin: Oct 2011		Market Year Begin: Oct 2012		Market Year Begin: Oct 2013	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	6,070	6,070	6,896	6,896	6,820	6,760
Beginning Stocks	1,112	1,112	1,316	1,316	1,061	1,061
Production	18,726	18,726	21,591	21,591	21,700	21,500
MY Imports	11,172	11,172	5,676	5,676	11,000	11,200
TY Imports	11,172	11,172	5,676	5,676	11,000	11,200
TY Imp. from U.S.	9,929	9,929	4,875	4,875	0	10,100
Total Supply	31,010	31,010	28,583	28,583	33,761	33,761
MY Exports	694	694	522	522	300	300
TY Exports	694	694	522	522	300	300
Feed and Residual	13,200	13,200	11,000	11,000	14,500	14,500
FSI Consumption	15,800	15,800	16,000	16,000	16,500	16,500
Total Consumption	29,000	29,000	27,000	27,000	31,000	31,000
Ending Stocks	1,316	1,316	1,061	1,061	2,461	2,461
Total Distribution	31,010	31,010	28,583	28,583	33,761	33,761
1000 HA, 1000 MT, MT/HA						

Sorghum

Production

The Post/New sorghum production estimate for MY2013/14 has been revised upward from the USDA/Official estimate by 2.0 percent to 7.3 MMT due to higher-than-expected planted area (see Corn Production section for more details). For example, in the main producing state of Tamaulipas, it is expected that sorghum production will reach approximately 2.5 MMT in 2013/14 fall/winter crop cycle against 1.5 MMT obtained in the same crop cycle last year. Of this total, approximately 1.455 MMT was sold by contract. Hedging through the "Forward Contract Program" accounted for 300,000 MT. In the meantime, 750,000 MT of sorghum could still face marketing problems due to unattractive domestic prices.

Trade

The Post/New total sorghum import forecast for MY2013/14 has been revised downward from USDA/Official data to 950,000 MT due to higher-than-previously estimated domestic sorghum production.

On December 13, 2013, the Secretariat of Economy (SE) published a decree in the *Diaro Oficial* (Federal Register) that modifies Mexico's import regime by increasing duties on imports of sorghum and white corn. However, Mexican official sources stated that these changes will not apply to U.S. exports because the North America Free Trade Agreement (See 2013 GAIN Report MX3088 *"Mexico Announces Import Tariff Changes for Selected Commodities"*).

Stocks

Ending stocks for MY2013/14 have been revised upward to 431,000 MT due to higher than previously

estimated domestic production for this year.

Production, Supply and Demand Statistics

Table 2: Mexico, Sorghum Production, Supply and Demand for MY2011/12 to MY2013/14

Sorghum Mexico	2011/2012		2012/2013		2013/2014	
	Market Year Begin: Oct 2011		Market Year Begin: Oct 2012		Market Year Begin: Oct 2013	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	1,682	1,682	1,644	1,644	1,870	1,900
Beginning Stocks	724	724	418	418	281	281
Production	6,425	6,425	6,174	6,174	7,100	7,300
MY Imports	1,369	1,369	1,789	1,789	1,000	950
TY Imports	1,369	1,369	1,789	1,789	1,000	950
TY Imp. from U.S.	1,166	1,166	1,360	1,360	0	850
Total Supply	8,518	8,518	8,381	8,381	8,381	8,531
MY Exports	0	0	0	0	0	0
TY Exports	0	0	0	0	0	0
Feed and Residual	8,000	8,000	8,000	8,000	8,000	8,000
FSI Consumption	100	100	100	100	100	100
Total Consumption	8,100	8,100	8,100	8,100	8,100	8,100
Ending Stocks	418	418	281	281	281	431
Total Distribution	8,518	8,518	8,381	8,381	8,381	8,531
1000 HA, 1000 MT, MT/HA						

Dry Beans

Production

The Post dry bean production estimate of 1.13 MMT for MY2013/14 (January to December) has been revised upward to 1.22 MMT, reflecting the latest Mexican government data published by SAGARPA. This information shows slightly higher than expected harvested area. Industry sources stated that despite atypical rains registered at the end of November in the key producing state of Zacatecas, production is expected to reach approximately 310,000 MT: 155,000 black beans; 77,000 Pintos; 70,000 colored beans ("*Flor de mayo and Flor de Junio*") and 7,000 to 8,000 of other varieties. However, it is estimated those rains negatively affected the quality of the different varieties. For example, approximately 25 percent of pinto bean production and nearly 15 percent of the colored beans were damaged by the rains that reduced their quality. No reports of black beans quality damage.

Durango, another of the main dry beans producer states, reportedly also experienced some quality problems in pinto beans due to excessive rains, although no data has been disclosed. Official sources estimated that the final production in this state could reach approximately 160,000 MT. Practically all dry bean fields in the state of Durango have been harvested.

The state of Chihuahua dry bean production is estimated at 91,000 MT in the 2013 spring/summer crop cycle. As usual, this spring/summer crop cycle will account for approximately 75 percent of Mexico's total dry bean production whereas the remainder of the crop will come from the 2013/14 fall/winter cycle.

Regarding last year's crop cycle in the state of Nayarit, official sources pointed out that despite floods caused by tropical storm Sonia in early November, bean growers were mostly able to replant their crops. As a result, production is expected to reach approximately 55,000 MT, mainly black beans ("Negro Jamapa").

On December 13, 2013 SAGARPA, through its paying agency called " Agency of Marketing Services and Development of Agricultural Markets (ASERCA) announced details of a new Assistance Scheme to support dry bean trading in the states of Zacatecas, Chihuahua and Durango (see 2013 GAIN Report MX3078 "*Extreme Weather Conditions Bring Mixed Results to Mexico's Grain Production"*). Among the main characteristics of this Assistance Scheme are the following:

- The Program will support up to 200,000 MT of dry beans for the 2013 spring/summer crop cycle.
- The Program will guarantee a price of 10 pesos per kilogram (U.S. $0.75/Kg).
- Elevator companies adhering to the Scheme will pay 8 pesos per kilogram at time of grain delivery into their facilities against a growers invoice.
- An additional price differential of 2 pesos per kilogram will be granted by ASERCA.
- Direct support is given to pinto, black and clear varieties, giving priority to growers of up to 20 hectares that formally participate in the Program.
- Specifically for Chihuahua, where pinto beans are grown almost exclusively, elevators will pay 9 pesos per kilogram due to the higher quality of the bean, which includes up to 2 pesos of ASERCA direct support, thereby implying a price of 11 pesos per kilogram (U.S.$0.83/Kg) for the pinto variety.
- Producer organizations that adhere to the Program will receive support of up to 1.50 pesos//kg to cover operating expenses resulting from the collection, including the process of cleaning, polishing, and quality certification.

According to private sources, the Assistance Scheme has had different implementation and misinterpretation problems depending on the state and/or elevator. Reportedly, growers are not familiar with quality standards, which have caused most to dislike the scheme. Growers reportedly are disappointed in the level of assistance the program offers them. In Durango, for example, grower organizations showed their frustration by blocking a SAGARPA official delegation to the state last December, demanding the authorities force the authorized elevators to open their doors to receive the growers' beans. Reportedly, only 3 to 5 elevators out of the 18 originally that had announced that they were committed to adhering to the Scheme had been open to receive the growers' beans. On the other hand, prices that the elevators have been paying out to growers do not always correspond to the Program. In the meantime, Zacatecas growers have been pushing for the extra payment of 2 pesos/kg at the moment the elevator receives the beans. In the case of Chihuahua, growers have been also struggling to sell at the promised prices (9 pesos/kg). Reportedly, prices paid to growers in this state have been approximately 8 pesos per kilogram.

Trade

The Post/New total import estimate for MY2013/14 has been revised upward to 150,000 MT, based on updated information from Global Trade Atlas. Similarly, the export estimate for MY2013/14 has been adjusted slightly upward to 28,000 MT, reflecting updated data from Global Trade Atlas.

Stocks
Ending stocks for MY2013/14 have been revised upward to 309,000 MT due to higher-than-previously estimated domestic production and imports for this year.

Production, Supply and Demand Statistics

Table 3: Mexico, Dry Beans Production, Supply and Demand for MY2011/12 to MY2013/14

Dry Beans Mexico	2011/2012		2012/2013		2013/2014	
	Market Year Begin: Jan 2011		Market Year Begin: Jan 2012		Market Year Begin: Jan 2013	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	0	922	0	1559	0	1720
Beginning Stocks	0	183	0	8	0	137
Production	0	626	0	1063	0	1220
MY Imports	0	134	0	232	0	150
TY Imports	0	134	0	232	0	150
TY Imp. from U.S.	0	126	0	172	0	132
Total Supply	0	943	0	1303	0	1507
MY Exports	0	35	0	16	0	28
TY Exports	0	35	0	16	0	28
Feed Consumption	0	0	0	0	0	0
FSI Consumption	0	900	0	1150	0	1170
Total Consumption	0	900	0	1150	0	1170
Ending Stocks	0	8	0	137	0	309
Total Distribution	0	943	0	1303	0	1507
1000 HA, 1000 MT, MT/HA						

Rice

Production
The Post/New total rice production estimate for MY 2013/14 (October to September) has been revised slightly upward from USDA/Official estimates to 193,000 MT (rough production) reflecting the most recent data from SAGARPA. The increase in rough rice production is equivalent to 133,000 MT of milled rice. According to industry sources, rice output increased due to higher yields-than-previously estimated, mainly in the state of Campeche. For the 2013 spring/summer crop cycle, yields are expected to reach 5.623 MT/Ha, which is slightly higher than yields obtained the same crop cycle last year.

Industry sources stated that another factor that had slightly boosted yields in other states, such as Veracruz, is the implementation by local government of the High Productivity Program. The Program, in effect since 2012, is based on the promotion of productivity. However, the Chairman of Mexico's National Rice Growers Council stated that unfavorable market conditions have not allowed for the full development of the Program. The Chairman pointed out that the cost of production is approximately 18,000 pesos per hectare (U.S. $ 1,364/Ha) but believes it could be reduced to 15,000 pesos per hectare if better new supports and strategies were implemented for Mexico to be competitive with its trading partners in aspects such as: quality, health, safety, productivity and reduced costs. Also, the Chairman stated that it is necessary for the government to provide financial support, specific technical assistance, and promote irrigation infrastructure. Regarding irrigation, at present only 20 percent of total rice production is irrigated.

Stocks

The Post/New ending stock estimate for MY203/14 has been revised slightly upward to 189,000 MT from the USDA/Official estimate due to higher-than-previously-estimated total production.

Production, Supply and Demand Statistics

Table 4: Mexico, Rice Production, Supply and Demand for MY2011/12 to MY2013/14

Rice, Milled Mexico	2011/2012		2012/2013		2013/2014	
	Market Year Begin: Oct 2011		Market Year Begin: Oct 2012		Market Year Begin: Oct 2013	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	32	32	35	35	32	32
Beginning Stocks	220	220	152	152	168	168
Milled Production	113	113	131	131	129	133
Rough Production	164	164	191	191	188	196
Milling Rate (.9999)	6,870	6,870	6,870	6,870	6,870	6,780
MY Imports	645	645	725	725	750	750
TY Imports	680	645	725	725	750	750
TY Imp. from U.S.	642	680	0	582	0	700
Total Supply	978	978	1,008	1,008	1,047	1,051
MY Exports	1	1	2	2	2	2
TY Exports	1	1	2	2	2	2
Consumption and Residual	825	825	838	838	860	860
Ending Stocks	152	152	168	168	185	189
Total Distribution	978	978	1,008	1,008	1,047	1,051
1000 HA, 1000 MT, MT/HA						

Author Defined:

For More Information:

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Other Relevant Reports Submitted by FAS/Mexico

Report Number	Title of Report	Date Submitted
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
MX2018	Prolonged Drought Devastated Grain and Feed Sector	03/30/2012

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.