USDA Foreign Agricultural Service
GAIN Report
Global Agricultural Information Network

Required Report - public distribution

Date: 5/25/2018

GAIN Report Number: MX8024

Mexico

Grain and Feed Update

Lower Wheat and Rice Crops, Average Sorghum Trade Expected

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Report Highlights:
Mexican wheat and rice production estimates for marketing year (MY) 2018/19 have been revised downward, as planted area for both crops is lower than previously expected. Corn and sorghum production are expected to remain consistent with previous estimates. The sorghum trade estimates for MY 2018/19 and 2017/18 have been adjusted sharply downward, based on recent international trade policy developments that make corn relatively more attractive for animal feed.

Post:
Mexico City

EXECUTIVE SUMMARY

The marketing year (MY) 2018/19 wheat production estimate has been revised downward approximately 14 percent from USDA/Official figures as a result of lower than previously estimated area, low water availability, and a sluggish market. Similarly, the rice production estimate for MY2018/19 has been adjusted downward approximately ten percent, due to lower-than-expected harvested area.

The sorghum trade estimates for MY 2017/18 and 2018/19 has been adjusted downward from USDA/Official data to 500,000 MT and 600,000 MT, respectively, which is closer to normal levels in recent years. Animal feed industry sources and private traders noted that, though international sorghum prices fell recently to the point that sorghum was an attractive alternative to yellow corn, recent international trade policy events are expected to reverse this trend. Without a significant price differential favoring sorghum, the animal feed industry typically prefers to purchase yellow corn.

WHEAT

Production, Supply and Demand Data Statistics: Table 1: Mexico, Wheat Production, Supply, and Demand for MY 2016/17 to MY 2018/19

Wheat	2016/2017		2017/2018		2018/2019	
Market Begin Year	Jul 2016		Jul 2017		Jul 2018	
Mexico	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	724	724	665	667	625	535
Beginning Stocks	660	660	876	896	826	840
Production	3865	3885	3500	3494	3270	2800
MY Imports	5370	5370	5200	5200	5500	5600
TY Imports	5370	5370	5200	5200	5500	5600
TY Imp. from U.S.	4042	4042	0	3220	0	4300
Total Supply	9895	9915	9576	9590	9596	9240
MY Exports	1119	1119	1000	1000	1000	800
TY Exports	1119	1119	1000	1000	1000	800
Feed and Residual	700	700	400	400	400	300
FSI Consumption	7200	7200	7350	7350	7500	7500
Total Consumption	7900	7900	7750	7750	7900	7800
Ending Stocks	876	896	826	840	696	640
Total Distribution	9895	9915	9576	9590	9596	9240
Yield	5.3384	5.366	5.2632	5.2384	5.232	5.2336
(1000 HA) ,(1000 MT) ,(MT/HA)						

Production

The Post MY2018/19 (July/June) wheat harvested area and production forecasts have been revised downward from USDA/Official forecasts, based on updated information from private and official sources reflecting lower-than-previously estimated planted area. These sources stated that initial

planting intentions were higher than what was eventually planted by farmers in the main producing states such as Sonora and Baja California during the 2017/18 fall/winter crop cycle. Reportedly, wheat growers in Sonora decided to switch from wheat to corn, chickpeas, and safflower, for a total reduction in wheat production of approximately 67,500 hectares (ha) compared with the same crop cycle of a year earlier. (Note: the increase in corn area is marginal and therefore did not impact the MY 2017/18 corn estimate.) As a result, it is estimated that Sonora will produce 1.4 million metric tons (MMT) in the 2017/18 fall/winter crop cycle, compared with 1.789 MMT obtained the same crop cycle last year.

Similarly, in Baja California (Mexicali Valley and San Luis Rio Colorado) 46,610 ha of wheat was planted, which is 43 percent lower than initial planting intentions. Dry weather conditions and lack of water availability, along with bearish wheat prices, were the main factors driving the growers' decisions to plant cotton instead wheat in Baja California. Growers in other states (i.e., Chihuahua and Sinaloa) also decided to reduce wheat area and plant alternative crops. Consequently, total planted area in the 2017/18 fall/winter crop cycle was approximately 20 percent lower than originally estimated. The fall/winter crop generally accounts for 95 percent of total production.

For MY 2016/17, the production estimate has been adjusted upward based on final official figures issued by SAGARPA. Similarly, Post's total wheat production and area harvested estimates for MY 2017/18 have been revised slightly downward and upward, respectively, reflecting updated official SAGARPA data.

Consumption

Post's total wheat consumption estimate for feed and residual in MY2018/19 has been revised downward from USDA/Official data to 300,000 MT, based on new information from official and private sources. These sources stated that, as wheat domestic production is expected to be lower than previously anticipated, availability of wheat for feed consumption will be reduced. The food, seed and industrial consumption (FSI) estimate remains unchanged for this marketing year.

Trade

The wheat import estimate for MY2018/19 has been increased to 5.6 MMT from the USDA/Official estimate, because of lower-than-previously-estimated domestic production.

Stocks

The Post/New ending stock estimate for MY2018/19 has been revised downward to 640,000 MT from the USDA/Official estimate, due to lower-than-previously-estimated domestic production. The MY2016/17 Post/New ending stocks estimate was revised upward to 896,000MT from USDA/Official estimates, due to higher-than-previously-estimated domestic production. This is reflected in the upward adjustment to MY2017/18 carry over as well.

CORN

Production, Supply and Demand Data Statistics: Table 2: Mexico, Corn Production, Supply, and Demand for MY 2016/17 to MY 2018/19

Corn	2016/2017		2017/2018		2018/2019	
Market Begin Year	Oct 2016		Oct 2017		Oct 2018	
Mexico	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	7509	7509	7230	7230	7200	7200
Beginning Stocks	5213	5213	5418	5418	4818	4878
Production	27575	27575	26800	26800	26000	26000
MY Imports	14569	14569	16200	16000	16700	16700
TY Imports	14569	14314	16200	16000	16700	16700
TY Imp. from U.S.	14314	14314	0	15200	0	16400
Total Supply	47357	47357	48418	48218	47518	47578
MY Exports	1539	1539	1300	1040	1500	1500
TY Exports	1539	1539	1300	1040	1500	1500
Feed and Residual	22500	22500	24300	24300	25000	25000
FSI Consumption	17900	17900	18000	18000	18200	18200
Total Consumption	40400	40400	42300	42300	43200	43200
Ending Stocks	5418	5418	4818	4878	2818	2878
Total Distribution	47357	47357	48418	48218	47518	47578
Yield	3.6723	3.6723	3.7068	3.7068	3.6111	3.6111
(1000 HA) ,(1000 MT) ,(MT/HA)						

Trade

The total corn import estimate for MY 2017/18 has been revised downward from USDA/Official data to 16.0 MMT, based on official data from SAGARPA and the General Customs Directorate of the Finance Secretariat (SHCP) for the first seven months of this marketing year. Similarly, Post/New export figures for MY2017/18 have been decreased based on SAGARPA and SHCP data for the first seven months of this marketing year, as well as private sources' estimates.

Stocks

The Post/New MY 2017/18 estimated ending stocks were revised slightly upward, due to lower-than-previously-estimated exports. The ending stocks estimate was reflected in the carry over for the MY 2018/19, which was also adjusted upward from USDA/Official estimate.

SORGHUM

Production, Supply and Demand Data Statistics: Table 3: Mexico, Sorghum Production, Supply, and Demand for MY 2016/17 to MY 2018/19

Sorghum	2016/2017		2017/2018		2018/2019	
Market Begin Year	Oct 2016		Oct 2017		Oct 2018	
Mexico	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	1465	1465	1480	1322	1500	1500
Beginning Stocks	286	286	172	172	322	207
Production	4638	4638	4750	4635	4800	4800
MY Imports	548	548	1000	500	2000	600
TY Imports	548	548	1000	500	2000	600
TY Imp. from U.S.	548	548	0	500	0	600
Total Supply	5472	5472	5922	5307	7122	5607
MY Exports	0	0	0	0	0	0
TY Exports	0	0	0	0	0	0
Feed and Residual	5200	5200	5500	5000	6700	5200
FSI Consumption	100	100	100	100	100	100
Total Consumption	5300	5300	5600	5100	6800	5300
Ending Stocks	172	172	322	207	322	307
Total Distribution	5472	5472	5922	5307	7122	5607
Yield	3.1659	3.1659	3.2095	3.5061	3.2	3.2
(1000 HA) ,(1000 MT) ,(MT/HA)						

Production

The total sorghum production and harvested area estimates for MY 2017/18 have been revised downward based on updated official data released by SAGARPA. These statistics include the final results of the 2017 spring/summer crop cycle, as well as available information through April for the 2017/18 fall/winter crop cycle. In Tamaulipas, for example, growers planted approximately 12 percent less area than initial planting intentions due to unattractive farm gate prices during the 2017/18 fall/winter crop cycle. Tamaulipas alone accounts for 80 percent of Mexico's fall/winter crop cycle, and only 22 percent of the fall/winter crop is irrigated.

Consumption

The total consumption estimates for MY2018/19 and MY 2017/18 have been revised downward from the USDA/Official estimate to 5.2 MMT and 5.0 MMT, respectively, based on information from official and private sources. In MY 2017/18, feed consumption is expected to shift away from sorghum to feed corn, due to lower-than-previously-estimated domestic sorghum production and consequently higher domestic prices. For MY 2018/19, animal feed industry sources estimate that sorghum consumption could increase slightly to reach 5.2 MMT due to the relatively strong demand of the livestock sector, assuming that the sorghum-to-corn cash price ratio continues to be favorable to corn, preventing a larger expansion in sorghum consumption.

Trade

The total sorghum import estimate for MY 2018/19 has been revised sharply downward from USDA/Official data to 600,000 MT, based on animal feed industry sources. They noted that, despite the

fact that international sorghum prices have fallen recently to the point that sorghum is an attractive alternative to yellow corn for animal feed in Mexico, this trend is expected to reverse soon due to recent international trade events. Animal feed industry sources pointed out that sorghum, corn, and even wheat compete with each other to meet Mexican feed demand, and ultimately the mix of these commodities will depend on the market price. Several years ago, Mexico was the top customer of U.S. sorghum, buying more than 50 percent of U.S. sorghum exports. However, currently U.S. shipments to Mexico represent less than nine percent of U.S. sorghum exports, as stronger demand from other countries triggered significant price increases. Trade sources noted that a recent drop in international sorghum demand drove sorghum prices down temporarily. However, this trend has apparently reversed in the last few weeks, driving expectations of a bullish international sorghum market in the next marketing year.

The Post/New total sorghum import estimate for MY 2017/18 has been revised downward from USDA/Official data to 500,000 MT, based on private and official data from SAGARPA for the first seven months of this marketing year. Private sector sources noted that lack of infrastructure (e.g., port facilities, rail transportation, etc.) limit Mexico's ability to significantly increase sorghum imports beyond that level in the current marketing year.

Stocks

Estimated ending stocks for MY 2017/18 have been decreased to 207,000 MT in response to reduced domestic production and imports. The ending stocks estimate was reflected in the carry over for MY 2018/19 as well. Ending stocks for MY 2018/19 were also reduced based on lower expected imports.

RICE

Production, Supply and Demand Data Statistics: Table 4: Mexico, Rice Production, Supply, and Demand for MY 2016/17 to MY 2018/19

Rice, Milled	2016/2017		2017/2018		2018/2019	
Market Begin Year	Oct 2016		Oct 2017		Oct 2018	
Mexico	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	40	40	41	41	45	40
Beginning Stocks	127	127	172	172	210	190
Milled Production	175	175	188	183	205	184
Rough Production	255	255	274	266	298	268
Milling Rate (.9999)	6870	6870	6870	6870	6870	6870
MY Imports	870	870	860	850	880	880
TY Imports	910	910	860	850	880	880
TY Imp. from U.S.	671	671	0	705	0	710
Total Supply	1172	1172	1220	1205	1295	1254
MY Exports	85	85	90	95	90	90
TY Exports	90	90	90	95	90	90
Consumption and Residual	915	915	920	920	940	940
Ending Stocks	172	172	210	190	265	224
Total Distribution	1172	1172	1220	1205	1295	1254
Yield (Rough)	6.375	6.375	6.6829	6.4878	6.6222	6.7
(1000 HA) ,(1000 MT) ,(MT/HA)						

Production

Post's total rice production estimate for MY 2017/18 (October to September) has been revised downward approximately three percent from USDA/Official estimates to 266,000 MT (rough production), reflecting the most recent data from SAGARPA. The new rough rice production estimate is equivalent to 183,000 MT of milled rice. The Post/New estimation includes the preliminary final official figures for the 2017 spring/summer crop cycle and the updated data of the 2017/18 fall/winter crop cycle as of April 30, 2018. Similarly, the production estimate for MY2018/19 has been adjusted downward to 268,000 MT (rough production) based information from official contacts. Rice output decreased due to lower-than-expected harvested area. This rice rough production is equivalent to 184,000 MT of milled rice.

Stocks

As a result of updated domestic production information, the Post/New MY 2017/18 ending stocks estimate has been decreased to 190,000 MT. This is reflected in the upward adjustment to the MY2018/19 carry over as well.

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.

Report Number	Title of Report	Date Submitted
MX8010	Slight Changes in Production as Grain Imports Continue Upward Trend	3/7/218
MX8002	Corn, rice, and Sorghum Estimates Increased Slightly	1/18/2018
MX7031	Slight Bump in corn Production, Smaller Wheat Harvest	9/14/2017
MX7024	Mexico Expects Strong Corn Crop Due to Favorable Weather	6/15/2017
MX7007	Average Production Expected as Consumption Growth Slows	3/14/2017
MX7001	Increased Acreage, Good Weather Boost Corn Production	2/3/2017
MX6031	Wheat, Corn, and Sorghum Estimates Down Slightly; New Rice Program Announced	9/1/2016