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Mexico

Grain and Feed Update

Drought Brings Down Mexico's Grain Production

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Report Highlights:
Lower grains production is expected due to drought conditions throughout several of Mexico's growing regions as well as extremely low water levels stored in the country's northern reservoirs. Especially hard hit are the sorghum producing areas of Mexico, although production estimates are down as well as for corn, wheat, rice and dry beans. Post/New sorghum production forecasts for marketing year (MY) 2012/13 have been revised downward from the USDA/Official forecast of 6.9 MMT to 5.85 MMT. Also, the Post/New MY2013/14 (October/September) corn production and wheat (July/June) have been revised downward to 21.9 MMT and 3.4 MMT respectively, based on updated information from official and private sources.

SORGHUM

Production

The Post/New production and harvested area estimates for marketing year (MY) 2012/13 have been revised downward from USDA/Official estimates based on official and private sources. In fact, some sources estimate that sorghum production in the 2012/13 fall/winter crop cycle will be no more than 2.2 million metric tons (MMT) compared with 3.37 MMT obtained the same crop cycle a year early. This drop in production is attributed to lower yields from continued extreme heat and drought conditions, especially in the state Tamaulipas. This state normally produces approximately 69 percent of Mexico's spring/summer sorghum harvest. However, according to private sources, during the 2012/13 fall/winter crop cycle the municipalities of San Fernando, Mendez, Cruillas and Burgos, in the northern part of Tamaulipas, would produce only 120,000 MT of sorghum from a harvested area of 105,000 hectares (ha) due to the prolonged drought. As a result, expected yields could be as little as 1.0 MT per hectare or less. Approximately 240,900 ha of sorghum were planted in these municipalities but loses due drought were reported at approximately 135,900 ha. A private source stated "this year we had the worst agricultural crop cycle in history and have never felt a drought as strong as this and are now to the point of losing almost 60 percent of the sown area." A private source also stated that even in past bad years the sorghum growers could usually obtain over 500,000 MT in the northern region of Tamaulipas. In previous crop cycles record harvests produced more than 800,000 MT of sorghum. According to official data, as of May 31, 2013 the damaged area in Tamaulipas due to drought was 207,897 ha for the 2012/13 fall/winter crop cycle, which is substantially higher compared with the same crop cycle a year early which claimed 11,366 ha due to the drought. Post's MY's 2011/12 and 2013/14 (October/September) sorghum harvested area and production estimates are unchanged from USDA/Official estimates.

Consumption

The Post/New total sorghum consumption estimate for MY 2012/13 has been lowered from the USDA/Official estimate based on information obtained from industry and official contacts. These contacts stated that the reduction of the domestic sorghum production and the consequent high domestic sorghum prices have provoked a rationing of feed, seed, and industrial consumption (FSI) sorghum demand. Also, traders and buyers indicate that as a result of high domestic sorghum prices (as well as high prices in the U.S.) some hog and poultry producers have continued to use imported sorghum from South America, mainly from Argentina. Based on official data from the Secretariat of Agriculture, Livestock, Rural Development, Fisheries and Food (SAGARPA), during the first eight months of the MY 2012/13, Mexico imported 470,000 MT sorghum of Argentina.

Post's MY 2011/12 total consumption estimates has remain unchanged from the USDA/Official estimates. Similarly, Post/New MY2013/14 sorghum consumption has been revised downward from 10.2 MMT to 10.0 MMT based on new information from industry sources. Market analysts foresee the corn price outlook being skewed downward, which could imply that feed consumption could shift from sorghum to corn.

Stocks

For MY 2012/13, the Post/New ending stocks estimate has been revised downward from 473,000 MT of the USDA/Official estimates to 223,000 MT, due to an expected decrease in domestic production. This is reflected in the downward adjustment to MY2013/14 carry over as well.

Policy

On June 11, 2013, SAGARPA published in the "Diario Oficial" (Mexico's Federal Register) an agreement that amends, supplements and repeals various provisions of the Operational Rules of the "PROCAMPO Productive" program (see 2013 GAIN report MX3024 "Favorable Growing Conditions for a Higher Corn, Wheat, and Dry Beans Forecast, Sorghum Mixed, Rice Down"). The agreement states that under the Program, the maximum area under production that a grower can receive a PROCAMPO subsidy will be the equivalent (in hectares) up to 100,000 pesos (roughly U.S. $7,750.00) per grower and per crop cycle. Also, the agreement indicates that under PROCAMPO, a flat rate payment for corn, sorghum, wheat, rice, and dry beans will be provided to farmers for the 2012/2013 fall/winter and 2013 spring/summer crop cycles. Moreover, SAGARPA explains that this program can access owners and/or producers, individuals or companies, who have land areas registered in the directory of "PROCAMPO Productive" and complies with all of the following:

- requested their support in any of the five previous agricultural cycles
- completed or are in the process of updating their records in the directory of PROCAMPO Productive
- cultivate the land, meet required regulations and go to the Center for Rural Development Support Service Office to request support.

The agreement highlights a new provision that growers are only eligible to receive PROCAMPO's support for planted areas. Before, growers could get support payments just for land ownership – not on actual production. In the case that the growers do not plant, their registration will be canceled in the directory of "PROCAMPO Productive". The agreement, which came into force on June 12, 2013, added that in case of a natural disaster that prevents planting, support will be given after a written request is submitted to SAGARPA's delegation and subsequent technical advice is provided from the authority needed to endorse and certify to the adverse conditions that prevented planting.

Production, Supply and Demand Statistics

Table 1: Mexico: Sorghum Production, Supply and Demand for MY 2011/12 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	1,730	1,625	1,700	1,700
Beginning Stocks	779	779	473	473	473	223
Production	6,425	6,425	6,900	5,850	6,800	6,800
MY Imports	1,369	1,369	2,200	2,000	3,500	3,500
TY Imports	1,369	1,369	2,200	2,000	3,500	3,500
TY Imp. from U.S.	1,165	1,165	0	1,100	0	2,450
Total Supply	8,573	8,573	9,573	8,323	10,773	10,523
MY Exports	0	0	0	0	0	0
TY Exports	0	0	0	0	0	0
Feed and Residual	8,000	8,000	9,000	8,000	10,200	10,000
FSI Consumption	100	100	100	100	100	100
Total Consumption	8,100	8,100	9,100	8,100	10,300	10,100
Ending Stocks	473	473	473	223	473	423
Total Distribution	8,573	8,573	9,573	8,323	10,773	10,523
1000 HA, 1000 MT, MT/HA						

CORN

Production
Post's total corn production estimate for MY 2013/14 (October to September) has been revised downward from the USDA/Official estimate to 21.9 MMT, due to more complete data from SAGARPA. According to SAGARPA sources, this estimated production decrease is the consequence of the expected decline of planted area in the upcoming 2013/14 fall/winter crop cycle, due to the low water levels that are stored in the country's reservoirs. For example, in Sinaloa, which is Mexico's largest corn producing state, the Water National Commission (CONAGUA) reported that as of June 23, 2013 the eleven Sinaloa water reservoirs contained only 1,567.7 million cubic meters. This level is approximately just 10.2 percent of total capacity and nearly 25 percent less capacity than at this time last year. Official sources noted that unless northwest Mexico has a good hurricane season in 2013 (which will allow replenishment of the water reservoirs) it is very likely that corn area planted in the upcoming 2013/14 fall/winter cycle will be at least 20 percent below the average planted area of the last few years (around 1.13 million hectares). However, it should be noted that this is preliminary CONAGUA information, although reinforced by a forecast for tropical storm and hurricane activity in the eastern North Pacific in 2013 that is expected to be below the normal pattern. (NOTE: Corn growers traditionally plant their fall/winter crop from November to January. Harvesting activities are predominately concentrated during the month of April to June).

Trade
In comparison with the USDA/Official estimate, the Post/New export estimate for MY 2012/13 ha been increased based on preliminary official information from the General Customs Directorate of the Secretariat of Finance (SHCP), covering the first eight months of the marketing year. Similarly, the post corn import estimate for MY 2013/14 has been revised upward from USDA/Official estimate due to lower than expected domestic production.

Consumption
The feed and residual corn consumption estimate for MY 2012/13 has been increased from the USDA/Official estimate to 12.2 MMT, based on information obtained from industry contacts. These contacts stated that the high domestic and international sorghum prices provoked a rationing of feed and residual use sorghum demand resulting in a strong shift to corn use in the feed ration.

Stocks
Post/New ending stocks for MY 2012/2013 have been revised lower to 1.1 MMT in comparison with the USDA/Official estimate. The difference arose from larger domestic consumption than previously estimated. Also, Post's MY 2013/14 ending stocks estimate was revised downward to 1.47 MT due to lower than previously estimated domestic production.

Production, Supply and Demand Statistics

Table 2: Mexico: Corn Production, Supply and Demand for MY 2011/12 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	6,830	6,830	6,900	6,700
Beginning Stocks	1,112	1,112	1,266	1,266	1,416	1,116
Production	18,726	18,726	21,500	21,500	23,000	21,900
MY Imports	11,122	11,122	7,000	7,000	6,500	7,600
TY Imports	11,122	11,122	7,000	7,000	6,500	7,600
TY Imp. from U.S.	9,879	9,879	0	6,450	0	7,400
Total Supply	30,960	30,960	29,766	29,766	30,916	30,616
MY Exports	694	694	150	250	150	150
TY Exports	694	694	150	250	150	150
Feed and Residual	13,200	13,200	12,000	12,200	12,500	12,500
FSI Consumption	15,800	15,800	16,200	16,200	16,500	16,500
Total Consumption	29,000	29,000	28,200	28,400	29,000	29,000
Ending Stocks	1,266	1,266	1,416	1,116	1,766	1,466
Total Distribution	30,960	30,960	29,766	29,766	30,916	30,616
1000 HA, 1000 MT, MT/HA						

WHEAT

Production

Total wheat production for MY 2013/14 (July to June) has been revised downward by 81,000 MT reflecting the latest Mexican government data from SAGARPA. This information shows lower than expected harvested area. According to official and private sources, despite the fact that Sonora's wheat growers increased their planted area, wheat production was adjusted downward due to the freeze of March 3 and 4, 2013 that adversely affected the states of Guanajuato and Michoacan during the 2012/13 fall/winter crop cycle. Approximately 35,000 hectares were damaged by the freeze. In addition, there was a lack of water for irrigation in Guanajuato, which also affected the expected yields. Official sources stated that, in general, of the total volume of water used in agriculture in Guanajuato, more than half is extracted from groundwater (through wells), which causes severe overexploitation of aquifers. The mass amount of ground water use is provoking a drop of two to five meters per year and is dramatically raising energy costs for water extraction. In Guanajuato, wheat is one of the main crops of the fall/winter crop cycle under irrigation. As a result of these problems, industry contacts estimate that the 2012/13 fall/winter crop cycle could produce approximately 3.2 MMT of wheat, which is however, slightly higher than the volume harvested in the previous crop cycle.

Post's wheat production and area harvested estimates for MY 2012/13 have increased slightly from the USDA/Official estimates. These figures are based on final data from SAGARPA.

Trade

The Post/New wheat import estimate for MY2013/14 ha been revised upward from USDA/Official estimate to 4.0 MMT based on private traders information and considering a lower than expected domestic production.

Stocks

Post's ending stock estimate for MY2012/13 has been revised slightly upward to 306,000 MT from the

USDA/Official estimate, due to higher than previously estimated domestic production. It was reflected in the carry over for the MY 2013/14 which was also adjusted upward.

Production, Supply and Demand Statistics

Table 3: Mexico: Wheat Production, Supply and Demand for MY 2011/12 to MY2013/14

Wheat Mexico	2011/2012		2012/2013		2013/2014	
	Market Year Begin: Jul 2011		Market Year Begin: Jul 2012		Market Year Begin: Jul 2013	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	662	662	574	579	625	643
Beginning Stocks	317	317	575	575	305	306
Production	3,628	3,628	3,230	3,231	3,500	3,419
MY Imports	5,020	5,020	3,900	3,900	3,900	4,000
TY Imports	5,020	5,020	3,900	3,900	3,900	4,000
TY Imp. from U.S.	3,901	3,901	0	2,803	0	3,100
Total Supply	8,965	8,965	7,705	7,706	7,705	7,725
MY Exports	790	790	700	700	800	800
TY Exports	790	790	700	700	800	800
Feed and Residual	1,500	1,500	500	500	200	200
FSI Consumption	6,100	6,100	6,200	6,200	6,300	6,300
Total Consumption	7,600	7,600	6,700	6,700	6,500	6,500
Ending Stocks	575	575	305	306	405	425
Total Distribution	8,965	8,965	7,705	7,706	7,705	7,725
1000 HA, 1000 MT, MT/HA						

RICE

Production

The Post/New total rice production estimate for MY2012/13 (October to September) has been revised slightly downward from the USDA/Official estimate to 186,000 MT (rough production) reflecting the most recent data from SAGARPA. The slight decline in rough rice production is equivalent to 128,000 MT of milled rice. The Post/New estimation includes the preliminary final official figures for the 2012 spring/summer crop cycle and the updated data of the 2012/13 fall/winter crop cycle. Similarly, the production estimate for MY2013/14 ha been adjusted slightly downward to 178,000 MT (rough production) from the USDA/Official estimate based on information from industry and official contacts and due to smaller-than-expected planted area. This rice rough production is equivalent to 122,000 MT of milled rice. According to industry contacts, rice output is expected to decline due to the lack of specific governmental supports and strong competition from imported rice, not only from the United States, but also from other origins such as Uruguay and even Pakistan, that have resulted in Mexican growers being discouraged to sow rice.

Trade

As result of lower than expected domestic production, the Post/New 2013/14 rice import estimate has been increased slightly from the USDA/Official estimates. Similarly, the Post/New rice import estimate for MY2011/12 has been revised downward based on updated data from the Global Trade Atlas.

Mexico suspended authorization for importation of Pakistani rice on June 26, 2013 as a result of a finding by the National Service of Agro Alimentary Health, Safety and Quality (SENASICA) which detected Khapra beetle in a 3,000 MT shipment of Pakistani rice. The contaminated rice was sent back

to Pakistan from the Port of Veracruz. The Khapra beetle is considered to be one of the 100 worst invasive species in the world. SENASICA officials confirmed to FAS/Mexico that Pakistani rice is no longer listed on the Mexican government's online import library (http://sistemas2.senasica.gob.mx/mcrfi/). Other Asian countries, such as Thailand and Vietnam, are still eligible to export rice to Mexico. It should be noted that in the first five months of CY 2013, Pakistan exported nearly 16,000 MT of milled rice to Mexico, more than 1,500 percent higher than the same time period in CY 2012 due to very affordable prices. Reportedly, the Pakistani rice is close to U.S. $100.00 lower per metric ton than the U.S. imported rice. In the first five months of CY 2013, the U.S. had exported approximately 30,000 MT of milled rice to Mexico, nearly twice Pakistan's amount.

Stocks

As a result of new domestic production information, the Post/New MY 2013/14 ending stocks estimate has been decreased slightly, to 165,000 MT, from the USDA/Official estimates. Also, the Post/New MY 2011/12 ending stocks estimate has been decreased from the USDA/Official estimate to 129,000 MT due to lower-than-previously estimated imports. This is reflected in the downward adjustment to MY2012/13 carry over as well.

Production, Supply and Demand Statistics

Table 4: Mexico: Rice Production, Supply and Demand for MY 2011/12 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	31	32	35	35	33	32
Beginning Stocks	220	220	152	129	171	145
Milled Production	113	113	131	128	125	122
Rough Production	164	164	191	186	182	178
Milling Rate (.9999)	6,870	6,870	6,870	6,870	6,870	6,870
MY Imports	645	623	725	725	730	750
TY Imports	680	639	725	725	730	750
TY Imp. from U.S.	642	571	0	660	0	670
Total Supply	978	956	1,008	982	1,026	1,017
MY Exports	1	2	2	2	2	2
TY Exports	1	2	2	2	2	2
Consumption and Residual	825	825	835	835	850	850
Ending Stocks	152	129	171	145	174	165
Total Distribution	978	956	1,008	982	1,026	1,017
1000 HA, 1000 MT, MT/HA						

DRY BEANS

Production

The Post/New dry bean production estimate of 1.15 MMT for MY2013/14 (January to December) has been decreased to 1.05 MMT due to more complete data from SAGARPA and a slightly lower harvested area than previously estimated. Private and official sources stated that the final result of the production level will depend on the rainy season of July and August, in the current 2013 spring/summer crop cycle. The sources indicated that so far the rains have been scarce and irregular in the main producing areas of Zacatecas, Durango and Chihuahua, where most cultivated areas are rain fed. The spring/summer crop is expected to account for approximately 73.3 percent of total edible dry bean

production. Also, the Post/New production and harvested area figures for MY2012/13 have been revised downward, reflecting the latest Mexican government data published by SAGARPA. For MY 2010/11, the harvested area estimate has been revised slightly upward to 922,000 ha, based on SAGARPA final information.

Trade

The Post/New dry beans import and export estimates for MY2013/14 have been revised upward and downward respectively, based on preliminary official data from SAGARPA and the General Customs Directorate of the Finance Secretariat (SHCP) covering the first 5 months of the marketing year and assuming a lower-than-previously estimated domestic production. Similarly, the Post/New dry beans import and export estimate for MY2012/13 have been revised downward and upward respectively, based on updated data from the Global Trade Atlas.

On July 12, 2013, Mexico's Secretariat of Economy (SE) announced that it will allow a total of 100,000 MT of dry beans to be imported duty-free under a tariff rate quota (TRQ). The SE will administer the TRQ for WTO-member countries that have protocols set up to export dry beans to Mexico, which will be valid from August 15 to December 30, 2013. The TRQ announcement does not apply to the United States.

The agreement states that on June 30, 2007, the SE published a decree modifying various import tariffs of the Tariff of the General Import and Export Law, which established a TRQ on dry beans (H.S. 0713.33.02, 071333.03 and 071333.99). According to the announcement the amount to be allocated by participant will be the lesser of: a) the quantity required; b) the amount shown on the commercial invoice and c) the balance of the TRQ. In either case, TRQ participants will be able to request new allocations as long as they have used at least 70 percent of their previous allocation. The maximum amount allocated per beneficiary, per period, will be 25,000 MT.

Since 2008, the Government of Mexico has announced a series of measures to confront rising food prices. One of these measures was to authorize a 100,000 MT TRQ for dry edible beans during the period from July 15 to October 31 (see 2008 GAIN Report MX8046 "Mexico Announces a Tariff Rate Quota on Dry Beans") This TRQ was not used during 2008, 2009 and 2010 as domestic production and U.S. supplies were adequate. Later, on January 13, 2012, the SE announced a total of 100,000 MT of dry beans to be imported duty-free under a TRQ from authorized countries which included China. This TRQ was later raised to 150,000 MT to make up for the short domestic supply caused by a record drought (see 2012 GAIN reports MX2003 "Mexico Looks to Increase Imports of Dry Beans" and MX2008 "Mexico Looks to Source More Beans".

Mexican government officials have maintained that Mexico is looking to source from as many countries as possible only as a preventive measure in the case that adverse weather conditions may arise and reduced the expected current domestic production.

Stocks

The Post/New ending stocks estimate for MY 2013/2014 have been revised lower to 163,000 MT in comparison with FAS/Mexico previous estimate. The difference arose from shorter domestic production than previously estimated. Also, Post's MY 2012/13 ending stocks estimate was revised downward to 133,000 MT due to lower than previously estimated production and imports.

Production, Supply and Demand Statistics

Table 5: Mexico: Dry beans Production, Supply and Demand for MY 2011/12 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	1556	0	1540
Beginning Stocks	0	183	0	8	0	133
Production	0	626	0	1060	0	1050
MY Imports	0	134	0	231	0	170
TY Imports	0	134	0	231	0	170
TY Imp. from U.S.	0	126	0	172	0	150
Total Supply	0	943	0	1299	0	1353
MY Exports	0	35	0	16	0	20
TY Exports	0	35	0	16	0	20
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	123	0	163
Total Distribution	0	943	0	1299	0	1353
1000 HA, 1000 MT, MT/HA						

Author Defined:

For More Information:

FAS/Mexico Web Site: We are available at www.mexico-usda.com 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
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
MX2008	Mexico Looks to Sources More Dry Beans	02/13/2012
MX2003	Mexico Looks to Increase Imports of Dry Beans	01/18/2012

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

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