USDA Foreign Agricultural Service
GAIN Report
Global Agricultural Information Network

THIS REPORT CONTAINS ASSESSMENTS OF COMMODITY AND TRADE ISSUES MADE BY USDA STAFF AND NOT NECESSARILY STATEMENTS OF OFFICIAL U.S. GOVERNMENT POLICY

Required Report - public distribution

Date: 9/17/2018
GAIN Report Number: MX8047

Mexico

Grain and Feed Update

Rice and Sorghum Production Revised Downward as Lower Sorghum Imports Expected

Approved By:
Karisha Kuypers
Prepared By:
Benjamin Juarez and Tim Harrison

Report Highlights:
Rice and sorghum production has been revised downward, as poor pricing has driven down planting. However, wheat production is slightly higher due to higher planted area. The sorghum import estimate has been revised downward significantly, due to the feed and livestock sector's preference for yellow corn at current prices.

Post:
Mexico City

EXECUTIVE SUMMARY

The rice and sorghum production estimates for the marketing year (MY) 2018/19 have been adjusted downward from USDA/Official data, due to lower-than-expected harvested area and reflecting unattractive farm gate prices. Wheat production estimate for MY 2018/19 has been revised upward, approximately four percent, from USDA/Official figures as a result of higher than previously estimated area.

The sorghum trade estimate for 2018/19 has been adjusted downward from USDA/Official data, based on most recent private information and official data from Secretariat of Agriculture, Livestock, Rural Development, Fisheries and Food (SAGARPA) for the first 10 months of the first marketing year. Private traders emphasized that the spread between sorghum and corn pricing is expected to continue to be relatively high, encouraging corn purchases over sorghum.

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	723	724	661	667	535	540
Beginning Stocks	660	660	874	876	776	768
Production	3863	3865	3504	3494	2800	2900
MY Imports	5370	5370	5245	5245	5600	5600
TY Imports	5370	5370	5245	5245	5600	5600
TY Imp. from U.S.	4042	4042	3054	3102	0	4200
Total Supply	9893	9895	9623	9615	9176	9268
MY Exports	1119	1119	1147	1147	1000	1000
TY Exports	1119	1119	1147	1147	1000	1000
Feed and Residual	700	700	400	400	300	300
FSI Consumption	7200	7200	7300	7300	7400	7400
Total Consumption	7900	7900	7700	7700	7700	7700
Ending Stocks	874	876	776	768	476	568
Total Distribution	9893	9895	9623	9615	9176	9268
Yield	5.343	5.3384	5.3011	5.2384	5.2336	5.3704
(1000 HA) ,(1000 MT) ,(MT/HA)						

Production

Post's total wheat production for MY 2018/19 (July/June) has been revised upward from the USDA/Official estimate to 2.9 million metric tons (MMT), based on the most recent data from SAGARPA reflecting slightly higher-than-expected planted area. Post's new estimate includes the preliminary final official figures for the 2017/18 fall/winter crop cycle and updated data for the 2018 spring/summer crop cycle through August 31. Similarly, Post's wheat production estimates for MY

2016/17 and MY2017/18 have increased and decreased slightly, respectively, from the USDA/Official estimates. These figures are based on final data from SAGARPA.

Stocks

Post's ending stocks estimate for MY 2018/19 has been revised upward to 568,000 MT from the USDA/Official estimate, due to higher-than-previously-estimated domestic production. Ending stocks for MY 2017/18 have been revised downward slightly, due to the lower production estimate. The MY2016/17 Post/New ending stocks estimate was also revised slightly upward to 876,000 MT from USDA/Official estimates, due to higher-than-previously-estimated domestic production. This is reflected in the upward adjustment to the 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	7320	7200	7200
Beginning Stocks	5213	5213	5418	5418	4818	5618
Production	27575	27575	26800	27450	26000	26000
MY Imports	14569	14569	16200	16200	16200	16200
TY Imports	14569	14569	16200	16200	16200	16200
TY Imp. from U.S.	14314	14314	0	15400	0	15400
Total Supply	47357	47357	48418	49068	47018	47818
MY Exports	1539	1539	1300	1150	1500	1500
TY Exports	1539	1539	1300	1150	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	5618	2318	3118
Total Distribution	47357	47357	48418	49068	47018	47818
Yield	3.6723	3.6723	3.7068	3.75	3.6111	3.662
(1000 HA) ,(1000 MT) ,(MT/HA)						

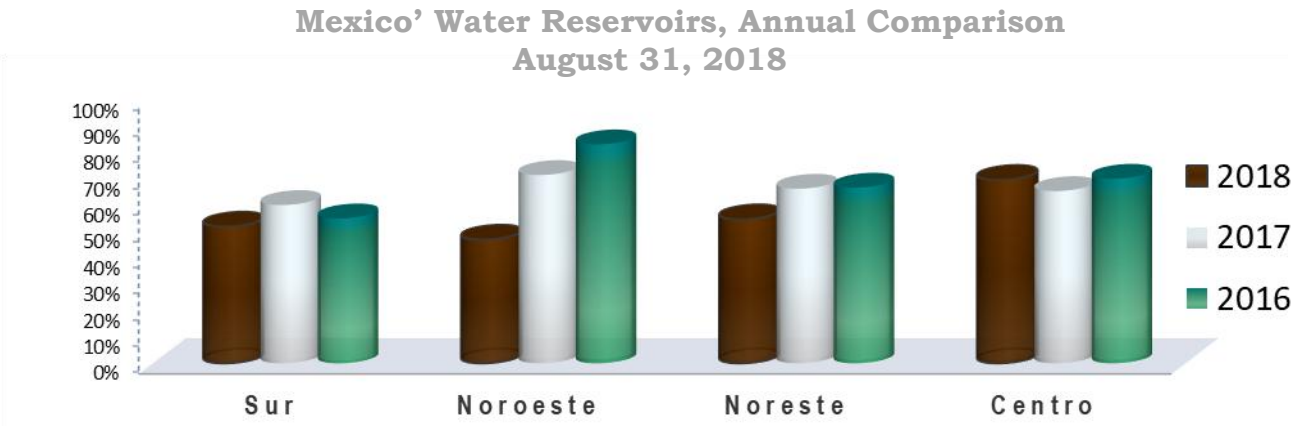
Production

The total corn production estimate for MY 2017/18 (October to September) has been revised upward from the USDA/Official estimate to 27.4 MMT, due to more complete data from SAGARPA. Corn output increased due to normal weather conditions, which positively affected yields. Official sources noted that the rainy season was regular and timely. Similarly, area harvested has been revised upward slightly based on official statistics.

Though Post's estimated production for the MY 2018/19 has remained unchanged, official sources noted that planted area could decrease for the next 2018/19 fall/winter crop season, due to the relatively low level of water in key reservoirs. For example, in the northwest part of the country, the water level in reservoirs was approximately 24.5 percent lower in August 31, 2018, compared to the same date of previous year (see graphic below). It should be noted that Sinaloa, the main producing state of the

fall/winter crop cycle, is in this area. However, private sources believe it is too premature to adjust planted area downward, because Mexico's National Meteorologist Service is predicting that the current hurricane season could be near or above normal. If this prediction proves correct, the hurricanes could replenish the water reservoirs, which would incentivize farmers to maintain planted area at current levels.

In addition, the perspective for the current 2018 spring/summer crop cycle continues to be relatively optimistic. In Jalisco, for example, official sources stated that farmers are expecting a very good corn harvest due to the good rainy season in the state for the 2018 spring/summer crop cycle. Jalisco is the main corn producing state in this crop cycle, and as of mid-August, approximately 580,000 hectares (ha) had been planted. Of that, 60,000 ha were yellow corn and the rest white corn. Jalisco producers could harvest approximately 3.8 MMT of corn. The harvest season is likely to start in the last two weeks of November, although most of the harvest will be in December and January.



Region	Capacity NAMO (hm3)	Storage at Date (hm3)	% At Same Date		
			2018	2017	2016
South	28,330.0	14,651.7	51.7%	59.9%	54.9%
Northwest	23,582.1	11,033.2	46.8%	71.3%	82.9%
Northeast	21,223.3	11,563.0	54.5%	66.1%	66.5%
Center	17,984.5	12,477.1	69.4%	65.2%	69.9%
TOTAL	91,119.9	49,725.0	55.6%	65.6%	68.5%

Notes: NAMO: Maximum Level of Ordinary Waters
1 hm3 = 1 million m3
Source: Mexico National Water Commission

Trade

In comparison with the USDA/Official estimate, the Post export estimate for MY 2017/18 has been adjusted downward based on preliminary official information from the General Customs Directorate of the Secretariat of Finance (SHCP), covering the first ten months of the marketing year.

Stocks

FAS/Mexico ending stock estimate for MY 2017/18 has been revised upward to 5.61 MMT from the USDA/Official estimate, due to lower-than-previously-estimated exports. This is reflected in the upward adjustment to MY 2018/19 carry over, as well as a higher ending stocks estimate for MY 2018/19.

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	1322	1350	1450	1300
Beginning Stocks	286	286	172	172	127	97
Production	4638	4638	4635	4545	4600	4500
MY Imports	548	548	120	180	2000	350
TY Imports	548	548	120	180	2000	350
TY Imp. from U.S.	548	548	0	180	0	350
Total Supply	5472	5472	4927	4897	6727	4947
MY Exports	0	0	0	0	0	0
TY Exports	0	0	0	0	0	0
Feed and Residual	5200	5200	4700	4700	6300	4750
FSI Consumption	100	100	100	100	100	100
Total Consumption	5300	5300	4800	4800	6400	4850
Ending Stocks	172	172	127	97	327	97
Total Distribution	5472	5472	4927	4897	6727	4947
Yield	3.1659	3.1659	3.5061	3.3667	3.1724	3.461

(1000 HA) ,(1000 MT) ,(MT/HA)						

Production

The total sorghum production estimate for MY2018/19 has been adjusted downward to 4.5 MMT, based on information from official contacts and due to smaller-than-expected planted area. According to official sources, the planting intentions for the upcoming 2017/18 fall/winter crop could drop to approximately 850,000 ha, against an initial estimate of 925,000 ha, due to unattractive farm gate prices. As a result, the expected production in the 2018/19 fall/winter crop cycle is estimated to reach 2.4 MMT, compared with the preliminary estimate of 3.05 MMT. In addition, in the 2018 spring/summer crop cycle, adverse weather conditions and lack of humidity in states such as Tamaulipas in the northeast of the country caused farmers to plant less area, consequently reducing expected production.

The total sorghum production and harvested area estimates for MY 2017/18 have been revised downward and upward respectively, based on updated official data released by SAGARPA. These statistics include the results of the 2017 spring/summer crop cycle, as well as available information through August 31 for the 2017/18 fall/winter crop cycle.

Trade

Post's sorghum import estimate for MY 2018/19 has been revised downward from the USDA/Official estimate to 350,0000 MT, based on information from private traders and considering the relative price spread between sorghum and corn. Given that the difference between corn and sorghum prices continues to be relatively high, Mexico's animal feed industry tends is expected to continue to strongly prefer yellow corn over sorghum, as has been the case for many years. One trader noted, for example, that currently there is not any tender for imported sorghum from the main animal feed and livestock Mexican importers for the upcoming months. Animal feed industry sources noted sorghum, corn, and even wheat continue to compete with each other to meet Mexican feed demand, and ultimately the mix of these commodities will depend on the market price. The sector tends to prefer yellow corn over sorghum even at the same price, due to higher convertibility and other factors.

The Post/New total sorghum import estimate for MY 2017/18 has been revised upward from USDA/Official data to 180,000 MT, based on most recent private information and official data from SAGARPA for the first ten months of this marketing year.

Consumption

For MY 2018/19, the total consumption estimate has been revised downward from the USDA/Official estimate to 4.85 MMT, based on information from official and private sources. Private sources noted that 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. In addition, private sources stated that expected lower corn prices would continue stimulating Mexico's import demand for yellow corn from the animal feed sector, and that the United States should continue to be the main supplier to cover that demand.

Stocks

Post's ending stock estimate for MY 2017/18 has been revised downward to 97,000 MT from the USDA/Official estimate, due to lower-than-previously-estimated domestic production. This was reflected in the carry over for MY 2018/19, which was also adjusted downward.

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	40	35
Stocks	127	127	172	172	190	190
Milled Production	175	175	183	183	178	164
Rough Production	255	255	266	266	259	239
Milling Rate (.9999)	6870	6870	6870	6870	6870	6870
MY Imports	870	870	850	850	880	880
TY Imports	910	910	850	850	880	880
TY Imp. from U.S.	671	671	0	705	0	710
Total Supply	1172	1172	1205	1205	1248	1234
MY Exports	85	85	95	95	90	90
TY Exports	90	90	95	95	90	90
Consumption and Residual	915	915	920	920	940	940
Ending Stocks	172	172	190	190	218	204
Total Distribution	1172	1172	1205	1205	1248	1234
Yield (Rough)	6.375	6.375	6.4878	6.4878	6.475	6.8286
(1000 HA) ,(1000 MT) ,(MT/HA)						

Production

FAS/Mexico's total rice production estimate for MY 2018/19 (October to September) has been revised downward approximately seven percent from USDA/Official estimates to 239,000 MT (rough production), reflecting the most recent data from SAGARPA. This level of rough rice production is equivalent to 164,000 MT of milled rice. According to private industry sources, rice output decreased due to lower harvested area than initially estimated. Unattractive international and domestic prices, along with the end of federal supports that existed for the last few years, were the main factors driving a reduction in planted area in MY 2018/19 (see 2016 GAIN Report MX6031 for additional information on rice supports). The reduction in planted area took place principally in Nayarit and Campeche, two of the main producing states. Private sources stated that the lack of governmental supports in the current calendar year apparently was due to federal budget restrictions. However, they believe that the incoming administration, which takes office in December 2018, could reverse the elimination of this program and potentially restore the rice supports the following year.

Stocks

Based on the revised production levels, the MY 2018/19 ending stocks estimates have been decreased from the USDA/Official estimate.

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
MX8024	Lower Wheat and Rice Crops, Average Sorghum Trade Expected	5/25/2018
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