USDA Foreign Agricultural Service
GAIN Report
Global Agricultural Information Network

Required Report - public distribution

Date: 1/18/2018

GAIN Report Number: MX8002

Mexico

Grain and Feed Update

Corn, Rice, and Sorghum Estimates Increased Slightly

Approved By:
Lashonda McLeod
Prepared By:
Benjamin Juarez and Tim Harrison

Report Highlights:
The marketing year (MY) 2017/18 corn production estimate has been revised upward to 26.8 MMT, with harvested area estimated at 7.23 million hectares, reflecting official information from the Mexican government. Total corn imports estimates have been revised downward, based on this increase in estimated production and the economic uncertainty expected in 2018. The total wheat production estimate for MY 2017/18 has been revised slightly downward due to more complete official data. Lastly, the Post/New total sorghum and rice production estimates for MY 2017/18 have been revised upward based on updated official data.

WHEAT

PRODUCTION

Post/New total wheat production and harvested area estimates for MY 2017/18 have been revised downward and upward, respectively, from USDA/Official estimates, reflecting the latest official data from the Secretariat of Agriculture, Livestock, Rural Development, Fisheries and Food (SAGARPA). This data includes preliminary final figures for the 2015/16 fall/winter crop cycle, as well as the available official information for the 2017 Spring/Summer crop cycle (as of December 31st, 2017). Regarding this latest crop cycle, official sources indicated wheat production has suffered some relatively adverse weather-related issues, which would lead to lower yields for farmers with inadequate and/or costly water sources. Therefore, production estimates for MY 2017/18 have been revised downward slightly. Additionally, the Post/New MY2016/17 wheat production estimate has been revised slightly upward from USDA/Official forecasts based on preliminary final data from SAGARPA.

STOCKS

The Post/New ending stocks estimate for MY 2016/17 is higher than the USDA/Official estimate (876,000 MT) as a result of higher than expected production. The ending stocks estimate was reflected in the carry over for MY 2017/18, which was also adjusted upward.

Production, Supply and Demand Data Statistics: Table 1: Mexico, Wheat Production, Supply, and Demand for MY 2015/16 to MY 2017/18

Wheat	2015/2016		2016/2017		2017/2018	
Market Begin Year	Jul 2015		Jul 2016		Jul 2017	
Mexico	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	820	820	724	724	660	665
Beginning Stocks	712	712	660	660	874	876
Production	3711	3711	3863	3865	3550	3500
MY Imports	4805	4805	5370	5370	5400	5400
TY Imports	4805	4805	5370	5370	5400	5400
TY Imp. from U.S.	2753	2753	4042	4042	0	4100
Total Supply	9228	9228	9893	9895	9824	9776
MY Exports	1568	1568	1119	1119	1400	1400
TY Exports	1568	1568	1119	1119	1400	1400
Feed and Residual	400	400	700	700	400	400
FSI Consumption	6600	6600	7200	7200	7300	7300
Total Consumption	7000	7000	7900	7900	7700	7700
Ending Stocks	660	660	874	876	724	676
Total Distribution	9228	9228	9893	9895	9824	9776
Yield	4.5256	4.5256	5.3356	5.3384	5.3788	5.2632
(1000 HA) ,(1000 MT) ,(MT/HA)						

CORN

PRODUCTION

Post's total corn production estimate for MY 2017/18 (October to September) has been revised upward from the USDA/Official estimate to 26.8 million metric tons (MMT), due to more complete data from SAGARPA. Corn output was increased due to normal weather conditions, which positively impacted yields. Official sources noted that the rainy season was regular and timely. Area harvested has been revised downward slightly based on official statistics. The Post/New MY2016/17 production and harvested area estimates were revised slightly upward, reflecting preliminary final data from SAGARPA.

TRADE

In comparison with the USDA/Official estimate, the Post/New import estimate for MY 2017/18 has been revised downward to 15.6 MMT, based on higher-than-previously estimated production, as well as the economic uncertainty expected in 2018. Private sources stated that relatively weaker incomes among Mexican consumers should adversely impact meat consumption. It should be noted that Mexican corn imports are mainly of yellow corn for animal feed consumption and the starch industry (approximately 92 percent of total corn imports).

According to several private analysts, uncertainty surrounding both the 2018 Mexican presidential elections and ongoing NAFTA negotiations is likely to inhibit economic growth in the coming year. Increasing inflation is also having a negative impact on consumer's purchasing power, driving down household consumption growth. According to the National Institute of Statistics and Geography (INEGI), Mexico consumer inflation rate ends 2017 at an annualized rate of 6.77 percent, which is the highest since 2001. Based on these factors, Mexico's Central Bank expects the economy grow between 2 and 3 percent in 2018. However, the World Bank estimates the economy to grow at 2.1 percent, at most.

Even with this adjustment to Mexico's MY2017/18 corn imports, the estimated import level is substantially higher than the historical import average of the few last years. This can be attributed to continued growth, albeit at lower pace than last year, in demand for feed by the poultry and livestock sectors.

CONSUMPTION

For MY2017/18, the Post/New feed and residual estimate has been revised downward from USDA/Official figures, based on information from private sources and reflecting lower estimated imports. These sources believe that feed consumption growth will likely be lower than previously estimated due to the uncertain economic situation mentioned above. Animal feed industry sources expect bearish demand for feed due to the weakening demand for poultry, pork, and beef.

STOCKS

The Post/New ending stocks estimate for MY 2016/17 is slightly higher than the USDA/Official estimate (5.418 MMT) as a result of higher than previously estimated domestic production. Also, the Post/New ending stocks estimate for MY 2017/18 has been revised upward to 4.818 MMT, due to the expected reduction in consumption.

Production, Supply and Demand Data Statistics: Table 2: Mexico, Corn Production, Supply, and Demand for MY 2015/16 to MY 2017/18

Corn	2015/2016		2016/2017		2017/2018	
Market Begin Year	Oct 2015		Oct 2016		Oct 2017	
Mexico	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	7207	7207	7450	7509	7250	7230
Beginning Stocks	4090	4090	5213	5213	5408	5418
Production	25971	25971	27565	27575	26200	26800
MY Imports	14011	14011	14569	14569	16500	15600
TY Imports	14011	14011	14569	14569	16500	15600
TY Imp. from U.S.	13588	13588	14314	14317	0	15400
Total Supply	44072	44072	47347	47357	48108	47818
MY Exports	1559	1559	1539	1539	1300	1300
TY Exports	1559	1559	1539	1539	1300	1300
Feed and Residual	20300	20300	22500	22500	24300	23700
FSI Consumption	17000	17000	17900	17900	18000	18000
Total Consumption	37300	37300	40400	40400	42300	41700
Ending Stocks	5213	5213	5408	5418	4508	4818
Total Distribution	44072	44072	47347	47357	48108	47818
Yield	3.6036	3.6036	3.7	3.6723	3.6138	3.7068
(1000 HA) ,(1000 MT) ,(MT/HA)						

SORGHUM

PRODUCTION

The Post/New total sorghum production estimate for MY 2017/18 has been revised upward based on updated official data released by SAGARPA. The main factor driving this increase is greater planted area than previously estimated. These statistics include the available data for the 2017 Spring/Summer crop cycle, as well as figures for the 2017/18 fall/winter crop cycle as of December 31st, 2017. Despite the fact that some local media in Tamaulipas reported that sorghum production in the current 2017/18 fall/winter crop cycle had been damaged due to abnormal cold weather in December, official sources dismissed those stories. In fact, they noted that Tamaulipas' producers typically sow sorghum in January and February, so cold weather in December was unlikely to have a major impact. Tamaulipas is the main sorghum producing state, and it is expected to reach a production of 2.3 MMT in the 2017/18 fall/winter crop cycle, which is approximately 12 percent higher than the same cycle last year.

The Post/New MY2016/17 production and harvested area estimates were revised downward and upward, respectively, reflecting final preliminary official data from SAGARPA.

STOCKS

The Post/New estimated ending stocks for MY 2016/17 have been decreased to 122,000 MT in comparison with USDA/Official estimate, in response to the reduced domestic production. The ending stocks estimate was reflected in the carry over for the MY 2017/18.

Production, Supply and Demand Data Statistics: Table 3: Mexico, Sorghum Production, Supply, and Demand for MY 2015/16 to MY 2017/18

Sorghum	2015/2016		2016/2017		2017/2018	
Market Begin Year	Oct 2015		Oct 2016		Oct 2017	
Mexico	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	1678	1678	1460	1465	1420	1450
Beginning Stocks	338	338	286	286	184	122
Production	5587	5587	4700	4638	4600	4750
MY Imports	661	661	548	548	200	200
TY Imports	661	661	548	548	200	200
TY Imp. from U.S.	661	661	548	548	0	0
Total Supply	6586	6586	5534	5472	4984	5072
MY Exports	0	0	0	0	0	0
TY Exports	0	0	0	0	0	0
Feed and Residual	6200	6200	5250	5250	4700	4700
FSI Consumption	100	100	100	100	100	100
Total Consumption	6300	6300	5350	5350	4800	4800
Ending Stocks	286	286	184	122	184	272
Total Distribution	6586	6586	5534	5472	4984	5072
Yield	3.3296	3.3296	3.2192	3.1659	3.2394	3.2759
(1000 HA) ,(1000 MT) ,(MT/HA)						

RICE

PRODUCTION

Post's total rice production estimate for MY 2017/18 (October to September) has been revised upward from the USDA/Official estimate to 274,000 MT (rough production), due to more complete data from the SAGARPA. Rice output increased due to slightly higher than expected harvested area and favorable weather conditions. The new rough rice production estimate is equivalent to 188,000 MT of milled rice. Official and private sources stated that the relatively higher yields registered in this marketing year (i.e. 6.68 MT/Ha) compared with the previous year reflects favorable weather conditions and the adoption of the "Brazilian" cultivation model. In addition, these sources noted that, due to the small area planted (41,000 hectares), the yields obtained can vary widely by state, depending on the share of total planted area. For example, there are some states that traditionally register higher yields, such as Morelos, Michoacan, and Nayarit. Meanwhile, other states with relatively higher planted areas, such as Campeche, obtain relatively lower yields. Nayarit, for example, is one of the relatively "new" states that have reportedly implemented the "Brazilian" model.

The harvested area and production estimates for MY2016/17 have been adjusted slightly upward and downward, respectively, from the USDA/Official estimate based on the latest information from SAGARPA.

TRADE

In December 2017, the Uruguayan Government, through its Agricultural Services agency of the Uruguay Ministry of Livestock, Agriculture and Fisheries (MGAP), formally submitted a request to approve exports paddy rice to Mexico. Reportedly, the director of this agency met with his Mexican counterpart to formally submit the application to start the Risk Pest Analysis (PRA), which opens the process to export paddy rice to Mexico.

Currently, Mexico is the third export destination for Uruguayan rice, behind Peru and Iraq. Mexican imports of Uruguayan rice have grown steadily in recent years, though only milled rice is currently approved. According to official data, Mexican imports of Uruguayan milled rice during the first eleven months of 2017 reached 74,647 MT, or 8.8 percent more than the same period of 2016. Media reports quoted the President of the Uruguayan Association of Rice Cultivators (ACA) as saying the request was in response to Mexican millers, who are looking to purchase rough rice from origins other than the United States. The United States has traditionally been the main supplier of rice to Mexico, though NAFTA renegotiation concerns have caused some millers to seek backup options.

When asked, Mexican officials stated that there is no estimated time period to conduct the PRA for Uruguayan rough rice, since the PRA process is very thorough, and Mexico just began requesting the technical information.

Also in December 2017, Mexico announced the extension of the validity period for several tariff rate quotas (TRQ), including one for rice from non-free trade agreement countries. The rice TRQ was scheduled to expire at the end of 2017, but has now been extended to 2019. A total of 150,000 MT of rice may enter under the TRQ annually. For additional information, please see MX8000.

STOCKS

As a result of updated domestic production information, the Post/New MY 2016/17 ending stocks estimate has been decreased slightly, to 169,000 MT. This is reflected in the upward adjustment to the MY2017/18 carry over as well.

Post:
Mexico City