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Report Highlights:

Post forecasts Mexico's sugar production at 5.95 million metric tons raw value (MMT-RV) for marketing year (MY) 2023/24 (October 1 – September 30), 8 percent higher than in MY 2022/23 due to reduced fertilizer prices, but below MY 2021/22 production due to continued widespread drought. Post estimates sugar production for MY 2022/23 at 5.53 MMT-RV due to drought conditions and high fertilizer costs.

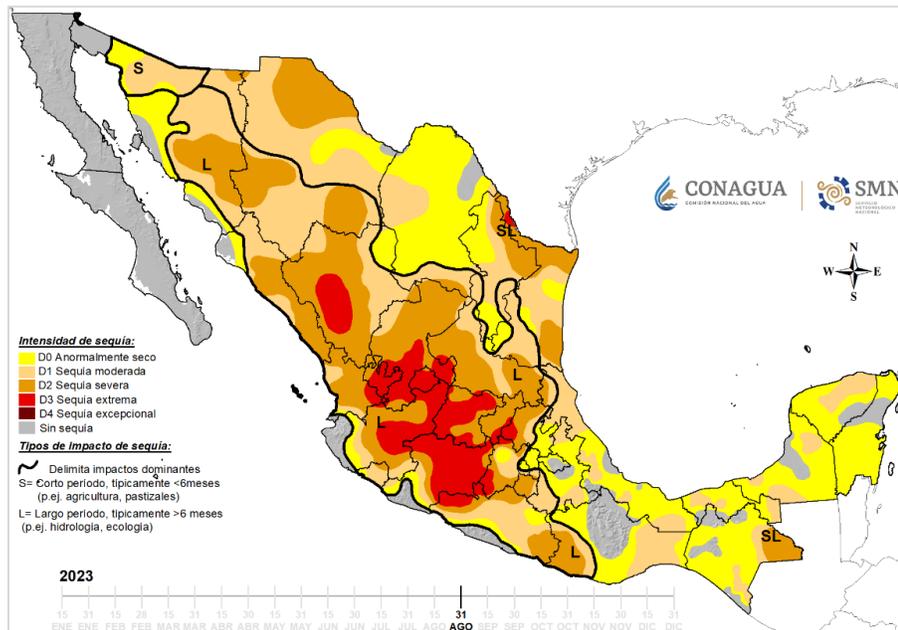
PRODUCTION

Post forecasts MY 2023/24 sugar production at 5.95 MMT-RV¹, 8 percent higher than MY 2022/23 production due to reduced input costs. With the price of fertilizer having fallen since last season, farmers are expected to return to using average amounts of fertilizer this marketing year, supporting increased production. On the other hand, production growth in MY 2023/24 is projected to be constrained by widespread drought conditions. The Government of Mexico (GOM) Committee for the Sustainable Development of Sugarcane (CONADESUCA) has not yet published the official GOM sugar production forecast for MY 2023/24.

According to Mexico's National Water Commission (CONAGUA), as of August 31, data shows that 200 sugar-producing municipalities (out of 267) are experiencing moderate to extreme drought (see Map 1), 51 municipalities have abnormally dry conditions, and just 16 have no presence of drought. Twenty-five percent of the municipalities with drought conditions are in Veracruz (the largest sugar-producing state) and 19 percent are in Jalisco (the number two sugar producer). Drought monitoring shows continued abnormally to extremely dry conditions for planting, with especially dry conditions in Jalisco and Michoacan (See Map 1).

Map 2 shows that the sugar states of Veracruz, Jalisco, and Oaxaca, and the southern states of Chiapas, Quintana Roo, and Tabasco, have benefited from some seasonal rains. However, the Huasteca region (Tamaulipas, San Luis Potosi, and northern Veracruz) is experiencing low precipitation levels. In August, the accumulated precipitation in the sugarcane areas at a national level was 242 mm, 10 mm below the climatology, 252 mm.

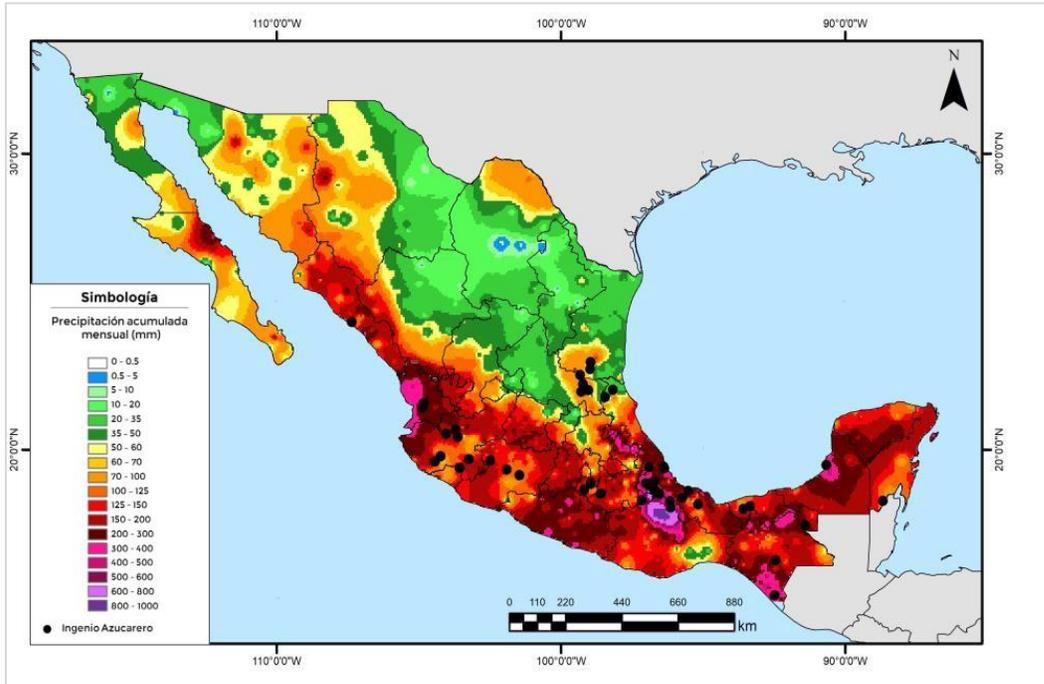
Map 1: Drought Monitor Map August 31, 2023



Source: CONAGUA

¹ One Metric Ton Raw Value (MT-RV) = 0.943396226 Metric Tons (MT)

Map 2: Precipitation Map August Accumulation



Source: CONAGUA

MY 2023/24 harvested area is forecasted at 820,000 ha, with a cane harvest of 52.5 MMT and a field yield of 64 mt/ha. Final sugar harvest will depend on stable weather conditions throughout the growing season and efficient milling capacities.

The final MY 2022/23 production report from CONADESUCA puts sugar production at 5.53 MMT-RV. This lower production – compared to MY 2021/22 production – is due to high fertilizer prices and drought conditions in the main growing regions like Veracruz and Jalisco during the MY 2022/23. As a result, less sugarcane was produced per hectare, and lower saccharose levels were present in the sugarcane, thereby decreasing production yields.

Harvested area reached 806,193 hectares (Ha), with 50.42 MMT-RV of cane harvested. National yield reached 59.00 tons per hectare, with factory yields at 10.98 (ton of sugar per tons of cane). All mills have concluded milling, with May being the month most mills finished (See Figure 1).

Map 3: Percentage of Sugar Production by State (MY 2022/23)



Source: Post map with CONADESUCA data

Table 1: Final Production MY 2022/23 Vs. MY 2021/22

	MY 2021/22 Previous	MY 2022/23 Current	Change
Industrialized area (ha)	799,774	806,193	0.80%
Harvested cane (mt)	54,680,831	47,563,830	-13.02%
Field yield (t/ha)	68.37	59.00	-13.70%
Sugar production (mt)	6,185,050	5,224,248	-15.53%
Factory yield (%)	11.31	10.98	-2.92%

Source: CONADESUCA; **Final Report** October 1, 2022- June 31, 2023

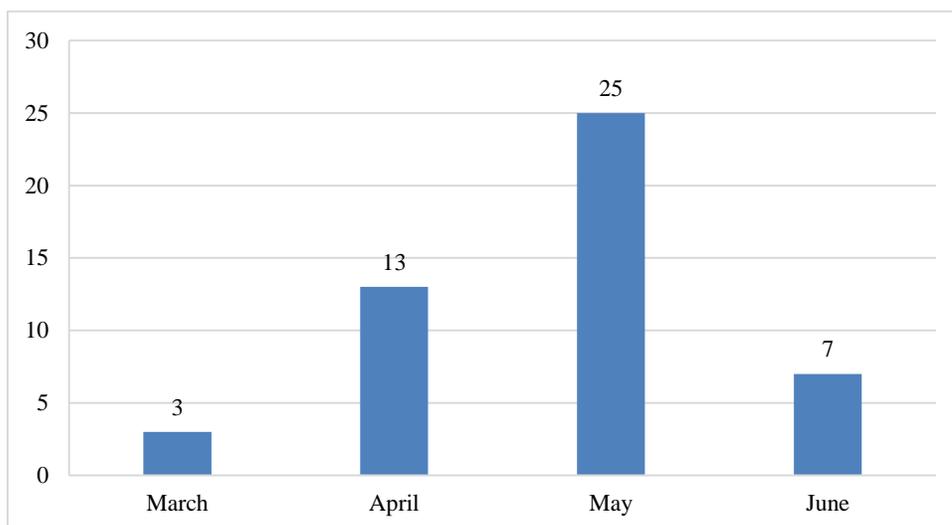
Table 2: Sugar Supply and Distribution October/September MY (1000 MT-RV)

Sugar, Centrifugal Market Year Begins Mexico	2021/2022		2022/2023		2023/2024	
	Oct 2021		Oct 2022		Oct 2023	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Beginning Stocks (1000 MT)	1,116	1,116	1,022	1,022	943	878
Beet Sugar Production (1000 MT)	0	0	0	0	0	0
Cane Sugar Production (1000 MT)	6,556	6,556	5,708	5,534	6,254	5,950
Total Sugar Production (1000 MT)	6,556	6,556	5,708	5,534	6,254	5,950
Raw Imports (1000 MT)	0	0	0	0	0	0
Refined Imp.(Raw Val) (1000 MT)	33	33	48	282	48	65
Total Imports (1000 MT)	33	33	48	282	48	65
Total Supply (1000 MT)	7,705	7,705	6,778	6,838	7,245	6,893
Raw Exports (1000 MT)	1,407	1,407	870	900	1,126	950
Refined Exp.(Raw Val) (1000 MT)	370	370	264	225	250	240
Total Exports (1000 MT)	1,777	1,777	1,134	1,125	1,376	1,190
Human Dom. Consumption (1000 MT)	4,342	4,342	4,330	4,460	4,414	4,525
Other Disappearance (1000 MT)	564	564	371	375	504	400
Total Use (1000 MT)	4,906	4,906	4,701	4,835	4,918	4,925
Ending Stocks (1000 MT)	1,022	1,022	943	878	951	778
Total Distribution (1000 MT)	7,705	7,705	6,778	6,838	7,245	6,893
(1000 MT)						

Table 3: Mexico – Sugar Cane for Centrifugal PS&D

Sugar Cane for Centrifugal Market Year Begins Mexico	2021/2022		2022/2023		2023/2024	
	Nov 2021		Nov 2022		Nov 2023	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted (1000 HA)	823	823	853	830	850	840
Area Harvested (1000 HA)	792	792	829	806	815	820
Production (1000 MT)	53,750	53,750	51,702	50,450	55,420	52,500
Total Supply (1000 MT)	53,750	53,750	51,702	50,450	55,420	52,500
Utilization for Sugar (1000 MT)	53,750	53,750	51,702	50,450	55,420	52,500
Utilizatn for Alcohol (1000 MT)	0	0	0	0	0	0
Total Utilization (1000 MT)	53,750	53,750	51,702	50,450	55,420	52,500
(1000 HA) ,(1000 MT)						

Figure 1: Number of Mills Closing Each Month for MY 2022/23



Source: CONADESUCA

TRADE

For MY 2023/24, Post forecasts imports at 65,000 metric tons-raw value (MT-RV), 77 percent lower than the previous MY due to an expected rebound in production. Import figures are expected to decrease as production recovers from the low production levels in MY 2022/23. Mexico typically produces enough sugar to cover domestic needs and imports only small amounts of specialty sugars not produced domestically. Final import figures will also depend on domestic sugar prices and the exchange rate throughout MY 2023/24.

Post forecasts exports for MY 2023/24 at 1.19 (MMT-RV), 6 percent higher than the previous MY due to an expected increase in production. Mexico's exports will depend on U.S. sugar needs determined throughout the marketing year. Most of Mexico's exports go to the U.S. due to relatively higher prices than on the international market.

For MY 2022/23, Post has increased its import estimate from 230,000 to 282,000 MT-RV due to lower production, high domestic sugar prices, and the appreciated exchange rate. Domestic prices are expected to remain high. Post has also increased its export estimate to 1.12 (MMT-RV) based on Mexican industry efforts to meet the U.S. export quota, in order to maintain access to the quota in future years. Projected increased imports, which will cover domestic demand, are expected to make available an adequate supply of domestically-produced sugar for increased exports. Mexico was assigned an export quota of 1.18 MMT-RV for MY 2022/23; however, Mexico needed to produce more sugar to fulfill the quota. Current production is expected to meet domestic demand and only fulfill about 95 percent of the U.S. quota. As of August 2023, CONADESUCA is reporting exports to the U.S. under quota at 1.05 MMT-RV, 9 percent lower than in MY 2021/22.

On September 11, CONADESUCA released its fourth official estimate with export estimates to the U.S. accounting for a volume equivalent to 100 percent of total needs, corresponding to 1.18 MMT-RV (see

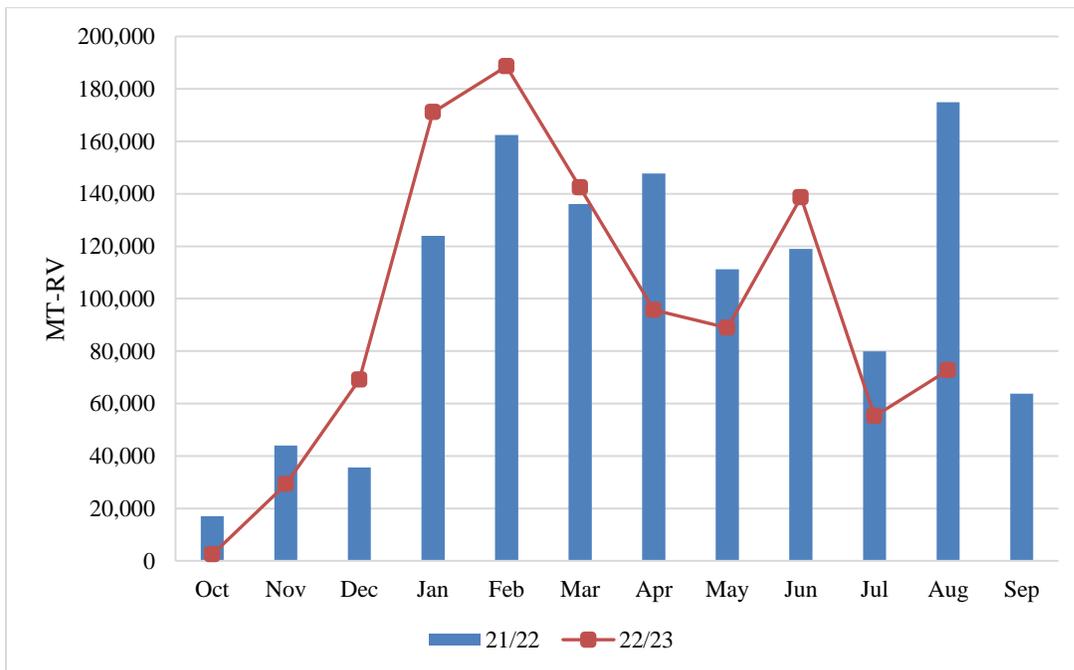
Table 5). However, according to industry sources, the export volume under quota to the U.S. will only be close to 95 percent.

Table 4: Mexican Sugar Exports to the U.S. Under Quota (MT-RV)

Month	MY 2021/22	MY 2022/23	Variation % 2021/2022 vs 2022/2023
October	16,996	2,418	-85.8%
November	44,026	29,225	-33.6%
December	35,550	69,085	94.3%
January	123,975	171,057	38.0%
February	162,401	188,586	16.1%
March	136,063	142,390	4.7%
April	147,772	95,646	-35.3%
May	111,178	88,880	-20.1%
June	118,932	138,620	16.6%
July	79,945	55,161	-31.0%
August	174,893	72,723	-58.4%
September	63,768		
Oct-Aug	1,151,731	1,053,793	-9%

Source: CONADESUCA, Last Update: September 18, 2023

Figure 2: Mexican Sugar Exports to the U.S, (under Quota) MY 2021/22 vs. MY 2022/23



Source: Post with information from CONADESUCA, Last Update: September 18, 2023

Table 5: MY 2022/23 CONADESUCA Fourth Official Estimate (MT-RV)

Total Supply	6,798,332
Beginning Stocks	1,022,129
Production	5,537,703
Imports	238,500
Total Use	6,033,767
Exports	1,207,875
The U.S. and Puerto Rico	1,184,693
World Markets	23,182
Deliveries to Domestic Users	4,825,892
IMMEX	379,120
Food	4,446,772
Ending Stocks	764,565

CONADESUCA's Fourth Estimate as of September 11, 2023

STOCKS

The Post forecast for MY 2023/24 ending stocks is 778,000 MT, around the amount Mexico deems as its optimal final stock level (two months of national consumption).

The Post estimate for MY 2022/23 ending stocks is 878 MMT-RV, 14 percent lower than the MY 2021/22, due to lower production, and Mexican industry efforts to meet the U.S. export quota.

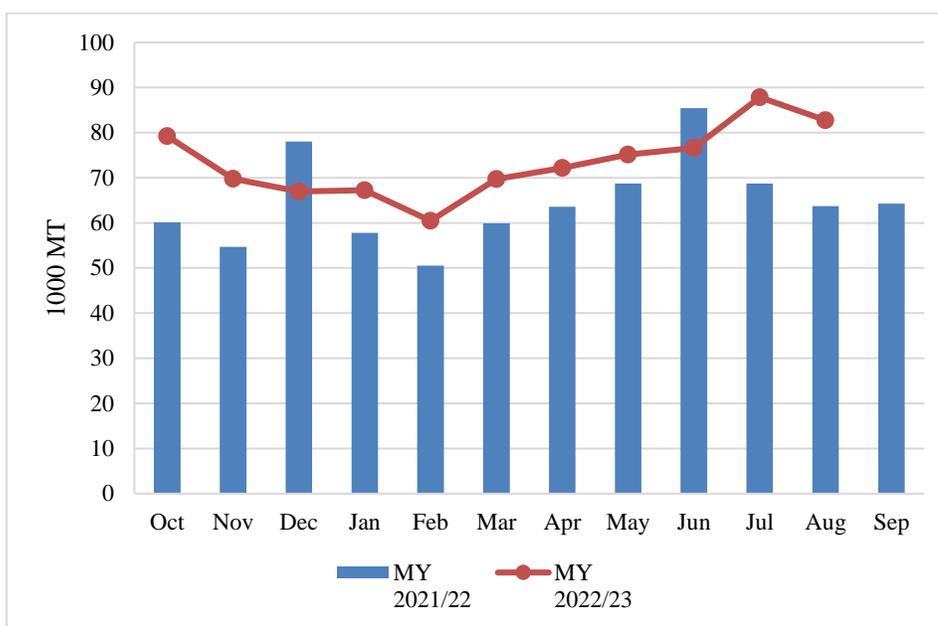
CONADESUCA's fourth official estimate is at 764,565 MT-RV, which considers the optimal inventory equal to 2 months of domestic consumption (see Table 5). In CONDADESUCA's previous estimate, the ending stocks were set to cover 2.3 months of domestic consumption. However, the estimate was decreased due to lower expected production and the U.S. export quota.

HIGH FRUCTOSE CORN SYRUP (HFCS)

Post forecasts HFCS imports for MY 2023/24 at 890,000 MT dry basis and estimates imports for MY 2022/23 at 870,000 MT dry basis. The industry continues to be pressured by the labeling regulations as the second phase of the Front of Pack Labeling Law comes into effect beginning October 2023 (see Policy and Programs section). Many food industries in Mexico are reformulating their products and lowering the amount of sugar (substituting with HFCS or sweeteners) to reduce the caloric density, avoid the warning signs in their labeling and advertise themselves as sugar-free products.

As of August 2023, Mexico imported 807,887 tons of dry weight of HFCS, 14 percent higher than the same period in MY 2021/22. The higher HFCS import levels are due to increased domestic sugar prices (Figure 5), as HFCS is used, to some extent, as a substitute for sugar. Sugar prices are expected to remain high due to those mentioned above lower expected sugar production (see Production section).

Figure 3: HFCS Imports, MY 21/22 vs. 22/23 (1000 MT- Dry Weight)



Source: Post with information from CONADESUCA, Last Update: September 18, 2023

Table 6: HFCS Imports (1000 MT-Dry Weight)

Month	MY 2021/22	MY 2022/23	Variation % 2022/2023 vs 2021/2022
Oct	60	79	31.9%
Nov	55	70	27.6%
Dec	78	67	-14.2%
Jan	58	67	16.4%
Feb	50	60	19.7%
Mar	60	70	16.4%
Apr	64	72	13.4%
May	69	75	9.4%
Jun	85	77	-10.3%
Jul	69	88	27.9%
Aug	64	83	29.9%
Sep	64		
Oct-Aug	711	808	13.60%

Source: CONADESUCA (National Balance of Sweeteners)

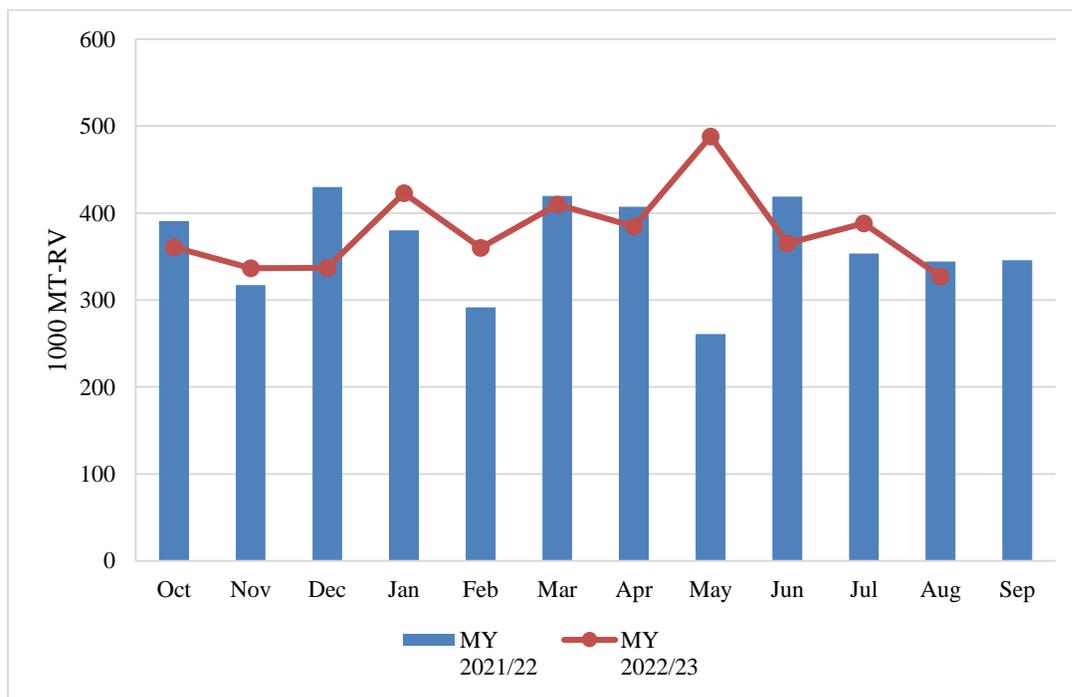
CONSUMPTION

Mexico's sugar consumption faces several challenges, including the second phase of the Front of Pack Labeling Law, healthier consumer trends, high food price inflation, sugar substitution with other sweeteners, and increased domestic sugar prices (See Figure 5). While the full effects on consumer consumption are not known, little evidence suggests that measures – such as the second phase of the front-of-pack labeling law and sugar and junk food taxes - have significantly reduced sugar consumption (see Policy and Programs section).

The Post sugar consumption forecast for MY 2023/24 is 4.92 MMT-RV, with human consumption at 4.52 MMT-RV. Human consumption does not include sugar sold to national companies as an input for the final exported product.

The Post sugar consumption estimate for MY 2022/23 is 4.83 MMT-RV, with human consumption at 4.46 MMT-RV. Human consumption slows down in September with an estimated average consumption of 280,000 MT-RV. As of August 2023, human domestic consumption is at 4.18MMT-RV, 4 percent higher compared to the same period of 2021/22 (October - August). The Post IMMEX² estimate for MY 2022/23 is 375,000 MT-RV. Final IMMEX levels will depend on the final export quota to the United States.

Figure 4: Human Domestic Consumption (1000 MT-RV)



Source: Post with information from CONADESUCA, Last Update: July 17, 2023

² Industria Manufacturera, Maquiladora y de Servicio de Exportación (Manufacturing, Maquiladora and Export Service Industry)

Table 7: Human Domestic Consumption (1000 MT - RV)

Month	MY 2021/22	MY 2022/23	Variation % 2022/2023 vs 2021/2022
Oct	391	361	-7.63%
Nov	317	337	6.05%
Dec	430	337	-21.62%
Jan	380	423	11.35%
Feb	292	360	23.50%
Mar	420	410	-2.35%
Apr	407	385	-5.59%
May	261	488	87.13%
Jun	419	365	-12.84%
Jul	354	388	9.78%
Aug	344	327	-5.00%
Sep	346		
Oct-Aug	4,014	4,181	4.14%

Source: CONADESUCA, Monthly National Sugar Balance

POLICY

Sustainable Development

The Mexican government's sugarcane industry programs and policies are governed by the Sustainable Rural Development Law, the Law on Sustainable Development of Sugar Cane, and the National Development Plan 2019-2024 ([PND](#)). All programs and policies related to the sugarcane industry must comply with these two laws and the PND, which ensure that their overall impact contributes to the sustainable development of the sugarcane industry.

- The Sustainable Rural Development Law places rural development policy under the purview of the federal government.
- The Law on Sustainable Development of Sugar Cane establishes CONADESUCA as the agency responsible for coordinating and executing all activities related to the sugarcane agroindustry.
- The PND is a document that outlines the GOM's priority objectives for achieving the development of the country and the well-being of Mexicans.

Production for Wellbeing Program

Under the Secretariat of Agriculture and Rural Development (SADER) “Production for Wellbeing [Program](#),” the GOM provides an annual support of \$7,300 pesos (around USD \$427³) per producer. The program goal is to support small and medium-scale producers (up to 20 hectares rainfed or up to 5 hectares irrigated) to improve crop yields and contribute to food self-sufficiency. Furthermore, SADER

³ 1 USD = \$ 17.07 pesos as of September 19, 2023

provides training and technical support aimed at increasing yields. The level of support has not increased since MY 2019/20.

National Sugarcane Agroindustry Program (PRONAC)

PRONAC aims to promote the development of the sugarcane agroindustry to generate employment and increase the well-being of rural populations. PRONAC also supports the sufficient and timely supply of sugar to the national and export markets. The program has four priority objectives:

1. Ensure the economic viability of producers and mills to stabilize the sector at the national level.
2. Increase the productivity and competitiveness of sugarcane production and processing.
3. Promote research, development, innovation, and technology transfer in the sugarcane industry.
4. Strengthen sustainability indicators (economic, social, and environmental) for a balanced development of the sugarcane agroindustry.

Reference Price of Standard Sugar

On a yearly basis, normally in late October, CONADESUCA releases an announcement with the reference price for the mill's purchase of sugar cane from growers for each harvest season. For the harvest 2022/2023, the [reference price](#) for standard sugar⁴ was established at \$15,170.14 pesos (around USD \$889) per ton. The aim is to provide stability and profitability to the sector. The reference price is negotiated annually – with the participation of government, millers, and growers – and is based on production, export volumes, and domestic and international prices.

Front of Pack Labeling Law – Second Phase

The second phase of Mexico's *Norma Oficial Mexicana* (NOM) 051, a front-of-pack labeling regulation, began on October 1, 2023, and will remain in effect until September 30, 2025, when the third phase will begin. Under phase one of the NOM, which began on October 1, 2020, warning signs and cautionary labels were required on products with certain nutrients (for example, added sugars) to indicate a health risk from excessive consumption. The [second phase](#) implements “excess” warning signs that must be affixed to processed food and beverage labels if the product exceeds critical thresholds of certain nutrients (e.g., fats, sugars, sodium, etc.). Under phase two, products with 8 kcal or more of free sugars per 100 ml of product must include an “excess calories” label (compared to 10 kcal per 100 ml under phase one). Also under phase two, products with 10 kcal or more of free sugars per 100 ml of product must include an “excess sugars” label (compared to greater than or equal to 10% of total energy from free sugars under phase one).

Special Tax on Production and Services (IEPS)

According to the annual [announcement](#) updating the IEPS tax rates for 2023, the rates for soft drinks, flavored beverages, and junk food were increased to account for inflation. The IEPS tax on sugar-sweetened beverages began in 2014 and is currently at \$1.5086 pesos per liter for flavored beverages and concentrates, flavor essences or extracts, syrups, powder and/or concentrates for preparing flavored beverages. The IEPS tax on junk food also began in 2014 and is currently at 8 percent for products with

⁴ 99.4 percent polarization

a high caloric density (275 kilocalories or more per 100 grams). Examples of food products that are subject to the IEPS tax include peanut and hazelnut butters, ice cream, chocolates, and pudding.

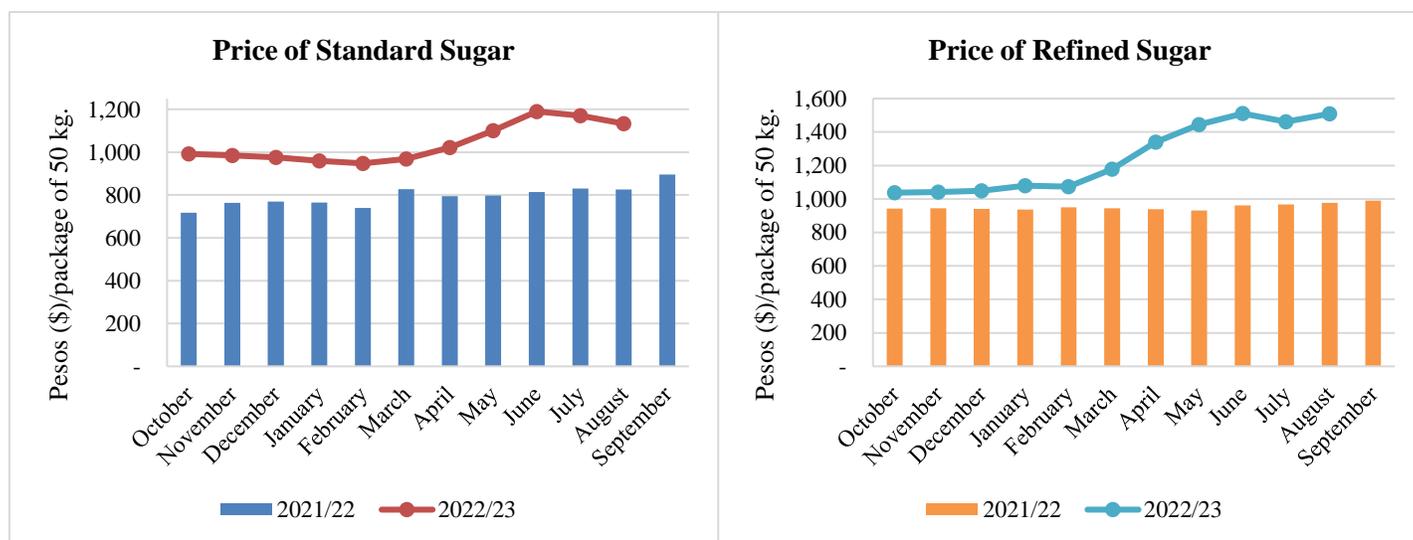
Table 8: Mexico Average Wholesale Sugar Prices in Mexico City (CIF Basis) in Pesos per 50 Kilograms – Bulk

Month	Standard			Refined		
	2021	2022	2023	2021	2022	2023
January	NA	764.50	959.77	NA	937.17	1,078.73
February	845.00	739.88	947.50	1,021.67	950.42	1,073.42
March	827.13	826.87	967.50	970.93	944.73	1,178.75
April	818.50	793.81	1,021.25	946.67	938.67	1,340.00
May	822.75	797.80	1,100.00	947.25	930.73	1,444.67
June	818.30	813.00	1,190.00	976.17	961.19	1,510.63
July	786.38	830.71	1,169.50	976.92	968.15	1,462.50
August	758.50	826.00	1,133.80	968.20	977.75	1,509.50
September	746.75	895.21		968.33	989.56	
October	717.88	991.25		942.50	1,037.83	
November	763.75	984.50		943.75	1,041.45	
December	769.75	976.25		941.75	1,049.33	

[Source: SNIIM \(National Service of Market Information\)](#)

* As of August 31, 2023

Figure 5: Mexico Average Wholesale Sugar Prices in Mexico City



Source: Post with information from SNIIM

Attachments:

No Attachments