

USDA Foreign Agricultural Service

# GAIN Report

Global Agricultural Information Network

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## **Mexico**

### **Sugar Annual**

#### **Mexico Sugar Annual Report 2017**

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**Report Highlights:**

Mexican sugar production for marketing year (MY) 2017/18 is forecast to be 6.6 million metric tons raw-value (MMT-RV), although there is not yet an official forecast. Sugar production for MY 2016/17 is estimated to decrease from previous estimates to 6.5 MMT-RV. The sugar export forecast for MY 2017/18 is 1.6 MMT-RV. Post/New export estimate for MY 2016/17 is revised upward from previous estimates considering that Mexico will cover the U.S. quota and about 500,000 MT-RV of exports to the rest of the world.

**Production:**

## PRODUCTION

### Sugar

There is not yet an official forecast for sugar production for marketing year (MY) 2017/18 (October/September). Sources believe weather has been beneficial for sugar production. Initial Post/New sugar production estimates are 6.6 million metric tons raw value (MMT-RV), as area planted with cane is expected to be very similar to MY 2016/17 area planted. Final production will depend on cultivation practices, such as application of fertilizers, pesticides, crop rotation, and pruning, as well as timely maintenance of sugar mills, weather throughout the growing season, and harvest conditions.

According to the National Committee for the Sustainable Development of Sugar Cane (CONADESUCA), the [3rd estimate](#) for sugar production announced on April 7, 2017, for MY 2016/17 is 6.5 MMT-RV. Therefore the Post/New estimate is revised downward from previous estimates. Adverse weather conditions have prevented harvesting in some regions. CONADESUCA's recent [Advance Report](#) # 23 from April 1, 2017, indicates that there is an accumulated deficit of sugar production of 364,498 MT-Actual Weight (386,367 MT-RV) compared to the first estimate. Weather has been dry in the northern producer states and rainy in the southern states. Fifty-one sugar mills are now operating along the country for MY 2016/17.

According to Advance Report # 23, area harvested has advanced 65 percent, milled sugarcane 68 percent, and sugar production 67 percent compared to the organization's first estimate (See Table 1). Official production estimates in Mexico for MY 2015/16 remains unchanged from previous estimates.

**Table 1. Mexico -Sugar Production – Week 27  
MY 2016/17**

	Area Harvested (Has)	Milled cane (MT)	Sugar production (MT-Actual Weigh)	Mill Yield %
Current MY 2016/2017	528,477	38,737,665	4,263,625	11.01
Ist. Estimate 2016/17	575,464	41,293,445	4,628,123	11.21

Source: CONADESUCA Report #23 for 2016/17

Two unions represent over 95 percent of all cane growers. These unions are the National Sugarcane Growers (affiliated with the CNC National Confederation of Peasants- a strong organization of small agricultural producers) and the National Association of Sugarcane Growers (CNPR). All growers operate under contracts to deliver their cane to contracting mills. In exchange, they receive technical support and agrochemicals from the mills to grow cane.

### Sugarcane Production

There is no official forecast for sugarcane production for MY 2017/18, but based on past performance, the Post/New forecast of cane to be processed is between 55 and 56 MMT. Sources indicate that area planted has not significantly changed from MY 2016/17 area. Therefore Post/New area planted for MY 2017/18 is forecast to continue at about 824,000 hectares.

Post/New estimates for area planted for MY 2016/17 is revised downwards from previous estimates based on official data as area planted has not changed significantly. Post/New estimates for area harvested are also revised downwards based on recent official estimates. According to CONADESUCA, the estimate for sugarcane production to be processed for MY 2016/17 is revised downward; therefore the Post/New estimate is revised down to 54 MMT from previous estimates. According to Advance Report # 23, there is a slowdown of about 2.5 MMT compared to the first estimate of sugar production, due to rainfall that prevents harvesting. According to official estimates, overall cane yields for MY 2016/17 are expected at 69.16 tons/hectare and mill yields at 11.4 percent. Sugarcane Post/New production estimates for MY 2015/16 is revised slightly downward based on official information. Area planted and harvested data for MY 2015/16 remain unchanged.

As previously reported, virtually all sugarcane goes to the production of centrifugal sugar. Mills operate between November and May to coincide with the cane harvest. According to the Secretariat of Agriculture’s (SAGARPA) Agri-food and Fishery Information Service (SIAP), area planted data includes area planted in past marketing years, as well as any new planted area, since the growing phase of this crop is approximately 18 months. In addition to sugar prices, area expansion will depend on weather conditions, production cost changes, and the level of continued investment by sugar mills.

**Sugarcane Reference Price**

Cane growers receive payment for their cane from sugar mills. The price is negotiated each year and is based on a complex formula involving sugar prices and other domestic and international market conditions. These factors are used to determine the Sugarcane Reference Price. According to Article 58 of the [Law of Sustainable Development for Sugar Cane](#), approximately 57 percent of the reference price is paid to growers for their sugarcane. Throughout the year, depending on how high or low prices are, two additional payments can be made to growers. The first opportunity is during the summer after mills have made significant sales. At the end of the cycle, a final adjustment is made, resulting in the next marketing year’s Sugarcane Reference Price and a potential final payment to growers. As [previously reported](#), in MY 2014/15 the Mexican government modified the reference price system to incentivize mills to export sugar.

As announced by the Secretariat of Economy (SE) on [October 28, 2016](#), the standard sugar reference price to calculate sugarcane payments for the MY 2016/17 crop is \$11,077.76 pesos per MT (\$591.44 dollars/MT at \$18.73 pesos per dollar exchange rate at that time). This price is slightly higher to prices announced for the past MY 2015/16 of \$8,130.65 pesos per MT (\$486.86 dollars/MT at \$16.70 pesos per dollar exchange rate). The following reference prices are the initial ones announced at the beginning of each marketing year.

<b>Table 2. Mexico: Reference Price for Sugarcane MY2012/13-MY2016/17</b>				
Sugarcane MY Oct./Sept.	Standard Sugar Price in MT/Peso	Standard Sugar Price in MT/Dollar	57 % Payment for Growers in Dollars	Exchange Rate in Pesos per Dollar
2012/13	10,617.72	\$846.70	\$482.62	12.54

2013/14	6,697.00	\$511.22	\$291.39	13.10
2014/15	7,099.93	\$517.10	\$294.74	13.73
2015/16	8,130.65	\$486.86	\$277.51	16.70
2016/17	11,077.76	\$591.44	\$337.12	18.73
Source: Diario Oficial				

## Sugar Wholesale Prices

The SE, through the National Market Information Service ([SNIIM](#)), reports sugar prices on a monthly basis delivered to various cities in Mexico from different mills. According to the industry, higher prices after the month of April/May 2016 reflect the end of the harvesting season. In fact, higher prices have affected bottling companies who are accommodating soda prices for the final consumer. In November sugar prices have a tendency to go downward reflecting the beginning of a new cycle. Sugar prices are now responding more to prices in Contract sugar 16 futures and also to the exchange rate fluctuations.

### High Fructose Corn Syrup (HFCS)

The Mexican high fructose corn syrup (HFCS) industry estimates that for MY 2017/18 it will continue producing HFCS at almost the same levels as in the previous marketing year as prices continue to be profitable. CONADESUCA's estimate of HFCS production for MY 2016/17 is 520,000 MT dry basis, slightly lower compared to MY 2015/16. This level is nearly at the industry's maximum capacity. Industry members indicate that there is no additional HFCS manufacturing capacity being built or expanded in Mexico. Sources report that as long as HFCS prices remain competitive, it is easier and more financially prudent to import the remainder of the HFCS demand.

The Mexican HFCS industry produces fructose with domestic and imported U.S. yellow corn. According to IDAQUIM (Maize Food and Chemical Derivatives Industry), the industry group that represents HFCS producers, this industry consumes about 2 million tons of yellow corn, of which 80 to 90 percent is imported. The United States is the main supplier of yellow corn to Mexico. The Government of Mexico continues to encourage forward contract purchases between Mexican farmers and yellow corn buyers in an attempt to increase domestic production of yellow corn. MY 2016/17 production of yellow corn is expected at about 3.0 million tons, where the main producers are the states of Chihuahua and Jalisco.

## CONSUMPTION

### Sugar and HFCS

Assuming current pricing trends for sugar and fluctuating exchange rates, and an inflation forecast for 2017 that is expected to be over 5.6 percent, versus 2.9 percent during 2016, the sugar industry expects sugar consumption for MY 2017/18 to grow at a slower rate. Therefore, the Post/New forecast for domestic consumption for MY 2017/18 is 4.79 MMT-RV. Consumption will also depend on the substitution of sugar with HFCS. The Post/new sugar consumption estimate for MY 2016/17 is revised slightly upward from previous estimates due to more demand than expected. Sources indicate that sugar prices have been responding to the exchange rate fluctuations. New/Post domestic sugar consumption for MY 2015/16 is revised downward from previous estimates as higher prices than expected lowered demand.

Substitution between HFCS and sugar has been increasing slowly as it seems that industries have been using HFCS in similar amounts over the last two years, including the largest user of HFCS, soda bottlers. Trends for MY 2016/17 indicate a growth in HFCS consumption to 1.48 MMT dry basis, almost 2.5 percent increase over MY 2015/16 consumption of 1.44 MMT dry basis. This volume of HFCS represents about 25 percent of total domestic sweeteners consumption. However, some industry sources believe that imports of HFCS for 2017 could slow down due to the impact of the peso depreciation. HFCS consumption depends on domestic sugar prices, imported corn and HFCS prices, and on current exchange rates.

## **TRADE**

### **Sugar**

The Post/New sugar export forecast for MY 2017/18 is expected at 1.6 MMT-RV. However, the amount exported to the United States will depend on the negotiations of the sugar agreements between the United States and Mexico signed in December 2014. This export forecast is tentative and will tend to change depending on production, U.S. and international sugar and sweeteners (HFCS) demand, and international sugar prices. According to CONADESUCA, Post/New sugar exports estimates for MY 2016/17 are adjusted downward, considering that Mexico will cover the U.S. quota and about 500,000 MT-RV of exports to the rest of the world.

[On March 31, 2017](#), the Secretariat of Economy (SE) announced the amount of the total quota of sugar to be exported under the U.S.-Mexico [Agreement](#) to the United States through September 30, 2017, for the 2016/17 sugar cycle. Adjustments are made in the month of March, therefore the new total amount increased to 1,042,854.51 metric tons raw value (MMT-RV) from the 870,688.94 MMT-RV announced in [December 26, 2016](#). New export limits for the period beginning April 1 to export to the United States were published in the [March 9, 2017-WASDE](#) report. As of March 26, 2017, according to CONADESUCA, Mexico has exported to the NAFTA market about 416,055 MT-RV. The Post/New sugar export estimate for MY 2015/16 is revised slightly upward based on CONADESUCA's final data. The Post/New sugar import forecast for MY 2017/18 is estimated at 25,000 MT-RV, as domestic supplies are expected to remain adequate. The sugar import estimate for MY 2016/17 is revised upward from previous estimates as border industries are importing some sugar for their specialty products not currently available at the domestic market. Formerly, a large portion of imports were used to cover the needs of the Mexican Sugar Re-export Program industries (IMMEX), but modifications to this program (February 5, 2016) does not allow companies to import sugar that benefit from the U.S. Sugar Re-export Program. Sugar import estimates for MY 2015/16 is revised downward from previous estimates as maquila industries used less imported sugar that expected for their industry due to the new regulations.

Sugar use under the "other disappearance" category is mainly for the IMMEX program. The Post/New forecast for MY 2017/18 for sugar use under IMMEX is similar to MY 2016/17 use as the maquila industries are not changing output significantly. The MY 2016/17 Post/New estimate for sugar use under IMMEX remains unchanged from previous estimates based on official data. Most of the sugar for this purpose was sold by the mills and not imported. The Post/New estimate for sugar use under IMMEX for MY 2015/16 is revised downward based on CONADESUCA's information.

### **HFCS Imports**

HFCS imports for MY 2017/18 are expected to be similar to MY 2016/17 imports, or 1.0 MMT dry basis as usage by the industry is not expected to change. According to CONADESUCA, HFCS imports for MY 2016/17 are forecast close to 1.0 MMT dry basis a very slight increase compared to MY 2015/16 imports of 966,974 MT dry basis. Although, a negative impact was expected due to the depreciation of the Mexican peso versus the U.S. dollar, the industry has been importing the same amount of HFCS in the last two marketing years. Most of the HFCS is imported under contracts which help with exchange rate fluctuations. The soda industry has been using around the same amount of product in their formulas.

## **STOCKS**

The Post/New sugar ending stock forecast for MY 2017/18 is 993,000 MT-RV, based on expected sugar production. However, sugar prices and exports will determine the final stocks. Post/New stocks for MY 2016/17 are likely to end at 1.0 MT-RV lower than previously expected due to higher volume of exports. These stocks are approximately two-and-a-half months of domestic consumption according to CONADESUCA. The Post/New ending stock estimate for MY 2015/16 remains unchanged at 1.0 MMT-RV. Sugar stocks in Mexico are held by mills and traders.

## **POLICY**

### **Ethanol Production**

The current version of Mexico's Biofuels Law was published in the Diario Oficial on February 1, 2008. The Law contains a comprehensive biofuels policy that promotes ethanol production from different agricultural commodities. There are provisions within the Sugar Law that contain overall goals focused on the possibility of producing ethanol. Eight years later, Mexico has not formally introduced ethanol into its commercial gasoline mix. Price fluctuations in both the oil and ethanol markets and the lack of an established supply chain have prevented the country from fully establishing its "clean-fuel" strategy. Mexico's state-run oil company, Petroleos Mexicanos (PEMEX) is still working with the winners of last year's bidding process (GAIN Report [MX5041](#)) and is scheduled to begin changes on its distribution and storage infrastructure to be able to receive ethanol that, per the contracts signed, will be mixed with its Magna brand gasoline at a 5.8 percent (E6) level. Still, some of the companies that won bids have yet to begin ethanol production, so no immediate ethanol deliveries are expected in the short term.

Additionally, the Mexican government moved some of the energy reform dates affecting fuel trade forward. First was the authorization to sell gasoline under a brand different from PEMEX and then the authorization to import gasoline, so private companies are now allowed to import gasoline (some of which will be already mixed with ethanol) and sell them in Mexico using their own brand. As of April 10, 2017, the Mexican Ministry of Energy (SENER) has issued 227 gasoline import permits which totaled a maximum of 70 billion gallons of gasoline. However, local news reported that few import permits have been used. SENER indicates that PEMEX is responsible for 99.4 percent of the imported gasoline into Mexico, which implies that the imported volume by private companies has been almost insignificant. Sources indicate this is a result of the lack of infrastructure and associated costs with imports, transportation, and distribution. Whereas before the gasoline price was determined and locked by the Mexican Ministry of Finance (SHCP), now the SHCP determines a daily maximum price. In August 2016, the Energy Regulatory Commission (CRE) published new gasoline specifications in the Mexican Official Norm, NOM-016 allowing for the first time the use of up to 5.8 percent of ethanol as

an oxygenate in gasoline. However, ethanol is not permitted to be used in gasoline in the metropolitan areas of Mexico City, Guadalajara, and Monterrey. The new NOM entered into force on October 29, 2016. CRE is in the process of consulting with the private sector and interested organizations to review the NOM and assess how it is currently functioning. CRE is expected to consider proposed changes arising from this process by fall 2017.

## STATISTICAL TABLES

**Table 3. Mexico: Centrifugal Sugar PS&D**

Sugar, Centrifugal Market Begin Year Mexico	2015/2016		2016/2017		2017/2018	
	Oct 2015		Oct 2016		Oct 2017	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Beginning Stocks	860	860	1099	1099	0	1058
Beet Sugar Production	0	0	0	0	0	0
Cane Sugar Production	6484	6484	6678	6557	0	6650
Total Sugar Production	6484	6484	6678	6557	0	6650
Raw Imports	0	0	0	0	0	0
Refined Imp.(Raw Val)	74	18	11	26	0	25
Total Imports	74	18	11	26	0	25
Total Supply	7418	7362	7788	7682	0	7733
Raw Exports	0	0	0	0	0	0
Refined Exp.(Raw Val)	1280	1288	1405	1545	0	1600
Total Exports	1280	1288	1405	1545	0	1600
Human Dom. Consumption	4689	4650	4721	4729	0	4790
Other Disappearance	350	325	350	350	0	350
Total Use	5039	4975	5071	5079	0	5140
Ending Stocks	1099	1099	1312	1058	0	993
Total Distribution	7418	7362	7788	7682	0	7733

(1000 MT)

**Table 4. Mexico: Sugar Cane for Centrifugal PS&D**

Sugar Cane for Centrifugal Market Begin Year Mexico	2015/2016		2016/2017		2017/2018	
	Oct 2015		Oct 2016		Oct 2017	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	824	824	836	824	0	824
Area Harvested	801	801	800	784	0	808
Production	54275	54190	55000	54257	0	55000
Total Supply	54275	54190	55000	54257	0	55000
Utilization for Sugar	54275	54190	55000	54257	0	55000
Utilizatr for Alcohol	0	0	0	0	0	0
Total Utilization	54275	54190	55000	54257	0	55000

(1000 HA) ,(1000 MT)

**Table 5. Mexico: Average Wholesale Sugar Prices in Mexico City**  
MX Pesos per 50 Kilograms – Bulk (CIF Prices)

MONTH	STANDARD		REFINED	
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	2015	2016	Percent	2015	2016	Percent
			Change			Change
January	387.25	530.75	37.05	498.42	591.25	18.62
February	378.50	560.75	48.15	492.92	602.50	22.23
March	370.60	552.80	49.16	486.07	598.00	23.02
April	382.63	587.50	53.54	480.84	613.75	27.64
May	382.67	585.00	52.87	480.56	615.00	27.97
June	450.80	603.75	33.92	516.33	643.75	24.67
July	458.00	647.50	41.37	504.17	691.25	37.10
August	477.50	710.60	48.81	510.42	744.00	45.76
September	570.80	715.00	25.26	591.33	754.58	27.60
October	568.75	709.63	24.77	590.00	750.00	27.11
November	551.25	686.80	24.58	586.67	741.33	26.36
December	540.00	662.00	22.59	589.00	720.67	22.35

Source: Servicio Nacional de Información de Mercados [SNIIM-ECONOMIA](#)

<b>Table 6. Mexico: Average Wholesale Sugar Prices in Mexico City</b>						
MX Pesos per 50 Kilograms – Bulk (CIF Prices)						
MONTH	STANDARD			REFINED		
	2016	2017	Percent	2016	2017	Percent
			Change			Change
January	530.75	650.40	22.54	591.25	751.40	27.08
February	560.75	640.75	14.26	602.50	770.00	27.80
March	552.80	637.00	15.23	598.00	780.00	30.43
April	587.50	637.00*	8.42	613.75	780.00*	27.08
May	585.00			615.00		
June	603.75			643.75		
July	647.50			691.25		
August	710.60			744.00		
September	715.00			754.58		
October	709.63			750.00		
November	686.80			741.33		
December	662.00			720.67		

Source: Sistema Nacional de Información e Integración de Mercados [SNIIM-ECONOMIA](#)  
\*As of April 10, 2017

<b>Table 7. Mexico: Monthly Exchange Rate</b>				
<b>Averages for 2014-2017</b>				
MX Pesos per U.S. \$1.00				
	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
January	13.20	14.68	18.02	21.37
February	13.28	14.92	18.47	20.33
March	13.22	15.21	17.69	19.35
April	13.29	15.22	17.49	18.77*
May	12.93	15.26	18.09	
June	12.99	15.46	18.12	
July	12.97	15.92	18.58	
August	13.14	16.50	18.47	
September	13.21	16.85	19.16	
October	13.47	16.58	18.91	
November	13.59	16.63	20.03	
December	14.44	17.03	20.51	
Annual Avg	13.29	15.85	18.62	
*As of April 7, 2017				
Source: Mexican Federal Register				
Note: Monthly rates are averages of daily exchange rates from the Banco de Mexico				