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Mexico

Grain and Feed Update

October Update for Corn, Sorghum, Wheat and Dry Beans

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Report Highlights:
The Post/New marketing year (MY) 2010/11 (October/September) estimates for corn and sorghum production have been increased from USDA/Official estimates due to new information from Government of Mexico (GOM) and industry sources. MY2011/12 corn, sorghum and dry beans forecasts have been revised downward from USDA/Official forecasts due to adverse weather conditions. MY2011/12 (July/June) wheat production is forecast higher than the USDA/Official forecast based on higher planted area in the 2011 spring/summer planting. The MY2009/10 and MY2010/11 dry bean production estimate have been revised downward based on final official figures in the former and

dry weather conditions and lower yields in the latter.

Post:
Mexico City

Commodities:
Corn

Sorghum

Wheat

Executive Summary:

Corn

Production

The Post/New total corn production volume estimate for MY2011/12 (October/September) has been revised downward, from the USDA/Official estimate of 24 to 20.5 million metric tons (MMT) due to smaller-than-expected planted area and adverse weather conditions. According to several sources, the 2011 spring/summer crop cycle has suffered a combination of adverse weather factors such as late rains, frost and floods that affected crops and reduced total yields. For example, in a recent congressional hearing, Mexico's Agriculture Secretary, Francisco Mayorga, pointed out severe risks in the recent 2011 spring/summer crop cycle and also predicted more for the upcoming 2011/12 fall/winter crop cycle. Also, the Secretary stated the following points:

- In the 2011 spring/summer crop cycle, rain delays were registered in Puebla, Mexico State, Tlaxcala, Guanajuato, Chihuahua, Durango and Zacatecas and resulted in delayed planting.
- In addition, a frost in early September affected approximately 380,000 hectares (ha) of corn (mainly) as well as dry beans, barley and wheat in the states of Puebla, Mexico, Hidalgo and Tlaxcala.
- Secretary Mayorga also stated that the drought affected approximately 124,000 ha of corn, sorghum and dry beans in Guanajuato.
- As a result of these circumstances, he stated that "although the figures may vary because the 2011 spring/summer crop cycle is still underway, there has been a decline in the area planted of corn, dry beans, sorghum, wheat and other crops."
- Based on official information, as of October 13, 2011, 87 percent of the scheduled planted area of these crops had been sowed, representing a 7 percent decrease from the same crop cycle in 2010.
- Consequently, the Secretary estimated a corn output of 15.6 MMT in the 2011 spring/summer crop cycle, which is 6.3 percent lower than in 2010.
- Regarding the upcoming 2011/12 fall/winter crop cycle, which should be planted this November and December, the Secretary stated the National Water Commission (CONAGUA) and the National Institute of Forestry, Agricultural and Livestock Research (INIFAP) forecasted lower rainfall for the last quarter of 2011 because the hurricane season has been completely irregular.
- Moreover, both institutions predicted more frost for the last quarter of this year.
- In this regard, during the same Congressional hearing, CONAGUA's Agricultural Infrastructure Deputy Director, Sergio Soto, stated that, at present, 19 water reservoirs in Mexico reported "low water levels, which means we will not provide much water to farmers in several states."
- Also, Sergio Soto stated that although the drought problems are concentrated in central and

northwestern Mexico, "what is really worrying is the situation in Sinaloa's water reservoirs, which are suffering from serious water restrictions".

- Based on CONAGUA figures, Sinaloa's reservoirs levels were at 46.8 percent of their capacity as compared to 87.9 and 79.4 percent in 2010 and 2009, respectively. In addition, reservoir levels at the national level were at 60 percent capacity as of October 13, 2011, as compared to 90.1 and 78.4 percent recorded in 2010 and 2009, respectively.
- As a result of these factors, SAGARPA and private sources have reduced their forecasts for the new corn crop. Official Sinaloa sources, for example, estimate that total corn planted area could reach a maximum of 320,000 has in the 2011/12 fall/winter crop cycle, whereas the normal planted area average is 500,000 has. It could result in a reduction of approximately 1.8 MMT for white corn production. Sinaloa's corn production is of special interest as this state accounts for approximately 71 percent of Mexico's fall/winter white corn production.

The Post/New corn production estimate for MY2010/11 has been revised upward from the USDA/Official estimate to 21.1 MMT. The Post/New estimated is based on final official information for the 2010 spring/summer crop cycle (which is then harvested and sold in the following Marketing Year) and updated figures from private and official sources for the 2010/11 fall/winter crop cycle. The Secretariat of Agriculture, Livestock, Rural Development, Fishery, and Food (SAGARPA) released its final production results for the 2010 spring/summer crop cycle and the results were higher than anticipated.

Consumption

The Post/New total corn consumption estimate for MY2011/12 has been revised downward from USDA/Official data, based on new information from official and private sources. Feed consumption is expected to shift from corn to sorghum, DDGS and even wheat, due to lower-than-previously estimated corn production. Similarly, the Post/New FSI consumption for MY2011/12 has been revised downward from the USDA/Official estimate based on official Mexican data. According to the Market Integration National Information System (SNIM) of the Secretariat of Economy (SE), as of October 5, 2011, the average price of tortillas was 11.10 pesos per kilogram (U.S. $0.83/kg), up 12.1 percent from 9.90 pesos/kg (U.S. $0.73/kg) in early 2011. Similarly, the National Institute of Statistics and Geography (INEGI) stated that tortilla prices increased 12.8 percent from the second half of December 2010 to the first half of September 2011, an average monthly increase of 0.71 percent. Regarding this price increase, the Director of the Promotion and Regulatory Tortilla-Corn Chain Council, Guillermo Campos Coy, stated that the 75 percent increase in the price of corn from early 2011 (3,400 pesos per MT or roughly U.S. $253/MT) to late September 2011 (5,800 pesos or U.S. $ 432/MT) heavily affected tortilla prices. Campos explained that one of the reasons for the corn price increase was the unusually cold weather in northern Mexico during early February that severely damaged the crop in Sinaloa. In addition, tortilla prices have been affected by the volatility of corn price in international markets and the depreciation of the peso against the dollar, which makes imports more expensive.

Policy

On October 7, 2011, the SE announced a modification to the PROMASA program (see 2011 GAIN report MX1036 *Mexico Updates Support Program for Corn Dough- Nixtamal*). The SE stated that increased corn prices (and resulting increased tortilla prices) made it necessary to modify the volume and support per kilogram for *nixtamal*. The SE will provide support of up to 400,000 MT of *nixtamal* dough. Moreover, the support per kilogram for *nixtamal* will be determined as follows:

- Support of 1.00 pesos per kilogram of *nixtamal* dough for small and medium enterprises and
- Support of 0.80 pesos per kilogram of *nixtamal* dough for low-income consumers (REPECO).

Trade
In comparison with the USDA/Official estimate, the Post/New import estimate for MY2011/12 has been increased to 9.8 MMT due to lower-than-previously estimated domestic production. The Post/New import and export estimates for MY2010/11 were revised downward and upward, respectively, in order to reflect official data from SAGARPA and the General Customs Directorate of the Secretariat of Finance (SHCP).

Stocks
The MY2010/11 Post/New ending stocks estimate was revised upward from USDA/Official estimates to 1.5 MMT due to higher-than-previously estimated domestic production. Also, the Post/New ending stocks estimate for MY2011/12 has been revised downward to 1.1 MMT due to lower-than-previously estimated domestic production.

Sorghum
Production
The Post/New sorghum production estimate for MY2011/12 has been revised downward from the USDA/Official estimate by 2.9 percent to 6.6 MMT due to adverse weather conditions and lower-than expected planted area (see Corn Production section for more details). The Post/New sorghum production estimate for MY2010/11 has been revised upward from the USDA/Official estimate to 7.35 MMT as a result of the area reseeded in Sinaloa under the SAGARPA program announced last February (see 2011 GAIN Report MX1017 *February Freeze Impacts Marketing Year 2010/11 Crop Production Forecast* and MX1012 *Hard Freeze Damages Sinaloa Corn and Produce).*

Consumption
The Post/New total consumption for feed and residual use for MY2011/12 has been increased to 9.3 MMT because of new industry information and to reflect the substitution of sorghum for corn due to lower-than-previously estimated domestic corn production. Similarly, the Post/New feed consumption estimate for MY2010/11 has been revised upward, based on official information from the Food and Fisheries Statistics Service (SIAP).

Trade
The Post/New total sorghum import forecast for MY2011/12 has been revised upward from USDA/Official data to 2.5 MMT due to lower-than-previously estimated domestic sorghum production. Meanwhile, the Post/New sorghum import estimate for MY2010/11 has been revised downward from USDA/Official estimate to 2.25 MMT based on preliminary official data from SAGARPA and the General Customs Directorate of the Finance Secretariat (SHCP)covering the first 11 months of the marketing year.

Stocks
The Post/New ending stock estimate for MY2011/12 is slightly lower than the USDA/Official estimate (237,000 MT) as a result of lower-than-expected domestic production. The Post/New MY2010/11

ending stocks estimate has been increased from the USDA/Official estimate to 537,000 MT due to higher-than-previously estimated domestic production.

Wheat
Production
The Post/New MY2011/12 (July/June) wheat harvested area and production forecasts have been revised upward from USDA/Official forecasts based on updated information from official GOM sources, which reflects higher-than-previously estimated planted area. These official sources stated that despite the dry weather conditions, farmers in the producing states such as Baja California and Sonora were able to plant their crop during the 2010/11 fall/winter crop cycle, as 98 percent of the planted area in these states is irrigated. Moreover, these sources stated that another factor allowing increased planted area was the inclusion of improved wheat technology nationwide, such as increased use of zero tillage machinery and the use of better seed with greater resistance to pests, diseases and adverse climate.

Consumption
The Post/Total wheat consumption estimate for feed and residual for the MY2010/11 has been revised downward from USDA/Official data to 500,000 MT, based on new information from private and official sources, while the MY2011/12 estimate remains unchanged. These sources stated that the availability of wheat for feed consumption was reduced because wheat exports were higher-than-previously anticipated. Similarly, food, seed and industrial consumption (FSI) for MY2010/11 has been revised downward based on official data while the MY2011/12 estimate remains unchanged.

Trade
The Post/New import estimate for MY2011/12 has decreased to 3.5 MMT from the USDA/Official estimate because of higher-than-previously estimated domestic production. The Post/New wheat import estimate for MY2010/11 has also decreased slightly (by 5,000 MT) from the USDA/Official estimate. These figures are based in final official data from SAGARPA and the General Customs Directorate of the Finance Secretariat (SHCP).

Stocks
The Post/New ending stock estimate for MY2010/11 has been revised upward to 435,000 MT from the USDA/Official estimate due to lower-than-previously-estimated total consumption. This is reflected in the upward adjustment to MY2011/12 carry over as well.

Dry Beans
Production

The dry bean production estimate has been revised downward by approximately 7.6 percent for MY2011/12 to 880,000 MT due to a drought in Durango, Zacatecas, Chihuahua and San Luis Potosi, the main producing states, and lower planted area. Official sources estimate that the 2011 spring/summer crop could reach 630,000 MT versus 779,000 MT a year earlier. According to private sources, the spring/summer dry bean states struggled with the planting of beans due to delays in the rainy season in April-June. The lack of rainfall forced them to plant late and in dry soil, which put the crop at higher risk of damage for drought and the first frost at the end of October. The spring/summer crop is expected to account for approximately 71.5 percent of total edible dry bean production. The

production and harvested area figures for MY2010/11 have been revised upward and downward, respectively, reflecting the latest Mexican government data published by SAGARPA. For MY2009/10, production and harvested area estimates have been revised slightly downward based on the final official figures issued by SAGARPA.

Consumption

The consumption estimate for MY2011/12 was revised downward based on SAGARPA's forecast. Similarly, consumption estimates have been revised downward for MY2010/11 and MY2009/10, reflecting the most recently available information published by SAGARPA. According to official sources, the consumption estimates reflect the results of the Income-Expenditure Poll, which was conducted by the National Institute of Statistics and Geography (INEGI). Some official sources stated that despite the fact that Mexico has experienced a decline in consumption over the last few years, dry beans continue to be a basic staple in Mexico. Since both parents increasingly work outside of the home in Mexican families, a change in the food consumption habits of many Mexicans has occurred. Because of the amount of time required to prepare beans, bean consumption has declined as the opportunity cost has increased.

Trade

The Post/New dry beans export estimate for MY2011/12 has been revised upward to 40,000 MT based on preliminary official data from SAGARPA and the General Customs Directorate of the Finance Secretariat (SHCP)covering the first 8 months of the marketing year.

Stocks:

For MY2011/12, ending stocks are forecast to decrease further as the trend of lower production continues. The Post/New ending stocks estimate for MY2010/11 and MY2009/10 have been decreased to 199,000 MT and 286,000 MT, respectively, because of lower-than-expected domestic production.

Production, Supply and Demand Data Statistics:

Table 1. Mexico: Corn Production, Supply and Demand for MY 2009/10 to 2011/12

Corn Mexico	2009/2010		2010/2011		2011/2012	
	Market Year Begin: Oct 2009		Market Year Begin: Oct 2010		Market Year Begin: Oct 2011	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post

Area Harvested	6,280	6,280	7,000	7,000	7,050	6,650
Beginning Stocks	3,559	3,559	1,389	1,389	1,389	1,529
Production	20,374	20,374	20,600	21,130	24,000	20,500
MY Imports	8,298	8,298	8,000	7,650	9,200	9,800
TY Imports	8,298	8,298	8,000	7,650	9,200	9,800
TY Imp. from U.S.	8,251	8,251	0	7,650	0	9,800
Total Supply	32,231	32,231	29,989	30,169	34,589	31,829
MY Exports	642	642	100	140	100	100
TY Exports	642	642	100	140	100	100
Feed and Residual	14,200	14,200	12,900	12,900	15,800	14,600
FSI Consumption	16,000	16,000	15,600	15,600	16,300	16,000
Total Consumption	30,200	30,200	28,500	28,500	32,100	30,600
Ending Stocks	1,389	1,389	1,389	1,529	2,389	1,129
Total Distribution	32,231	32,231	29,989	30,169	34,589	31,829
1000 HA, 1000 MT, MT/HA						

Table 2. Mexico: Sorghum Production, Supply and Demand for MY 2009/10 to 2011/12

Sorghum Mexico	2009/2010		2010/2011		2011/2012	
	Market Year Begin: Oct 2009		Market Year Begin: Oct 2010		Market Year Begin: Oct 2011	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	1,616	1,616	1,700	1,916	1,750	1,700
Beginning Stocks	1,336	1,336	414	337	154	537
Production	6,250	6,250	6,340	7,350	6,800	6,600
MY Imports	2,528	2,451	2,400	2,250	2,100	2,500
TY Imports	2,528	2,451	2,400	2,250	2,100	2,500
TY Imp. from U.S.	2,528	2,451	0	2,250	0	2,500
Total Supply	10,114	10,037	9,154	9,937	9,054	9,637
MY Exports	0	0	0	0	0	0
TY Exports	0	0	0	0	0	0
Feed and Residual	9,600	9,600	8,900	9,300	8,700	9,300
FSI Consumption	100	100	100	100	100	100
Total Consumption	9,700	9,700	9,000	9,400	8,800	9,400
Ending Stocks	414	337	154	537	254	237
Total Distribution	10,114	10,037	9,154	9,937	9,054	9,637
1000 HA, 1000 MT, MT/HA						

Table 3. Mexico: Wheat Production, Supply and Demand for MY 2009/10 to 2011/12

Wheat Mexico	2009/2010		2010/2011		2011/2012	
	Market Year Begin: Jul 2009		Market Year Begin: Jul 2010		Market Year Begin: Jul 2011	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	828	828	681	681	680	705
Beginning Stocks	315	315	520	520	240	435
Production	4,148	4,148	3,679	3,679	3,650	3,775

MY Imports	3,196	3,196	3,462	3,457	3,600	3,500
TY Imports	3,196	3,196	3,462	3,457	3,600	3,500
TY Imp. from U.S.	2,152	2,152	2,939	2,849	0	2,885
Total Supply	7,659	7,659	7,661	7,656	7,490	7,710
MY Exports	839	839	821	821	800	800
TY Exports	839	839	821	821	800	800
Feed and Residual	500	500	600	500	250	250
FSI Consumption	5,800	5,800	6,000	5,900	6,200	6,200
Total Consumption	6,300	6,300	6,600	6,400	6,450	6,450
Ending Stocks	520	520	240	435	240	460
Total Distribution	7,659	7,659	7,661	7,656	7,490	7,710
1000 HA, 1000 MT, MT/HA						

Table 4. Mexico: Dry Beans Production, Supply and Demand for MY 2009/10 to 2011/12

Dry Beans Mexico	2009/2010			2010/2011			2011/2012		
	Market Year Begin: Jan 2009			Market Year Begin: Jan 2010			Market Year Begin: Jan 2011		
	USDA Official	Old Post	New Post Data	USDA Official	Old Post	New Post Data	USDA Official	Old Post	New Post Data
Area Harvested	0	1,268	1,205	0	1,510	1524		1,285	1,165
Beginning Stocks	0	216	216	0	329	286		250	199
Production	0	1,111	1,041	0	1,000	979		950	880
MY Imports	0	172	172	0	115	115		120	120
TY Imports	0	172	172	0	115	115		120	120
TY Imp. from U.S.	0	148	148	0	107	107		112	112
Total Supply	0	1,499	1,429	0	1,444	1,380		1,320	1,199
MY Exports	0	20	20	0	29	29		15	40
TY Exports	0	20	20	0	29	29		15	40
Feed Consumption	0	0	0	0	0	0		0	0
FSI Consumption	0	1,150	1,123	0	1,165	1152		1,180	1,050
Total Consumption	0	1,150	1,123	0	1,165	1,152		1,180	1,050
Ending Stocks	0	329	286	0	250	199		125	109
Total Distribution	0	1,499	1,429	0	1,444	1,380		1,320	1,199
Yield	0	0.8762	0.8639	0	0.6623			0.7393	0.7554
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.

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Report Number	Subject	Date Submitted
MX1059	Grain and Feed July Update	7/25/2011
MX1048	Grain and Feed June Update	6/20/2011
MX1043	Grain and Feed May Update -- Sorghum Situation	5/25/2011
MX1033	Grain and Feed April Update	4/29/2011
MX1017	2011 Grain and Feed Annual	3/14/2011
MX1012	Hard Freeze Damages Sinaloa Corn and Produce	2/11/2011
MX1006	January Update for Corn and Rice	1/28/2011

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 information contained on the mentioned sites.