

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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Mexico

Sugar Semi-annual

September Update

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Report Highlights:

The marketing year (MY) 2011/12 (October/September) sugar production forecast is 5.65 million metric tons – raw value (MMT-RV) as high sugar prices are encouraging producers to use better crop management techniques. High sugar prices are encouraging food and beverage manufacturers to use greater amounts of high fructose corn syrup (HFCS) which, in turn, makes greater amounts of sugar available for export. The Post/New MY2011/12 sugar export forecast is 1.4 MMT-RV.

Commodities:

Sugar Cane for Centrifugal

Sugar, Centrifugal

Sugar Beets

Corn

Production:**SUGAR**

According to the Secretariat of Agriculture, Livestock, Rural Development, Fishery, and Food (SAGARPA), sugar production in Mexico could reach 5.65 MMT-RV in MY2011/12, however, industry sources tend to be more conservative in their forecast. Sources in the sugar industry indicate higher sugar prices are enticing cane growers to rejuvenate cane plantings and use more fertilizer in the field to increase sugar content and mill yields. Final production for MY2011/12 will depend on timely maintenance of sugar mills, appropriate cultivation practices, weather throughout the growing season, and harvesting conditions.

Sugar production for MY 2010/11 was revised downward to 5.50 MMT-RV, based on the National Chamber for the Sustainable Development of Sugar Cane (CONADESUCA) [preliminary estimates](#). Lower production is attributed to weather-related problems, mainly heavy rains and flooding in Veracruz caused by Hurricane Karl in mid-September 2010. The industry estimates overall cane yields at 65.8 MT/hectare (ha). Mill yield estimates, however, are better than previous years and are expected to average 11.75 percent, 5.5 percent higher compared to MY2009/10. The sugar production estimate for MY 2009/10 remains unchanged.

The planted and harvested area forecasts for sugar cane for MY 2011/12 remain unchanged from previous estimates; however, with better cane management practices (e.g., increased fertilizer applications), there could be more cane for harvesting. Harvested area for MY2010/11 was revised downward due to weather related problems.

Even though there are provisions within the National Program for the Sugar Cane Agroindustry (PRONAC) to encourage the production of ethanol from sugar cane, particularly for export markets, production is still not profitable. For additional information, see GAIN Report [MX1029 2011 Sugar Annual](#) and [MX1052 2011 Biofuels Annual](#).

HFCS

Despite higher global corn prices, the industry believes it will continue producing HFCS for MY2011/12 at almost the same levels as in MY 2010/11. HFCS production is estimated, therefore, at 425,000 MT-dry basis. Sources report that it is still easier and financially better to import the remainder of the HFCS demanded. As such, industry members indicate that there is no additional HFCS manufacturing capacity being built or expanded.

The Mexican HFCS industry produces HFCS with domestic and imported U.S. yellow corn. According to IDAQUIM, the industry group that represents HFCS producers, this industry consumes about 2 MMT of yellow corn of which 80 to 90 percent is imported. The United States will remain the main supplier of corn to Mexico for the near future.

Consumption:
SUGAR AND HFCS

The domestic sugar consumption forecast for MY2011/12 was revised downward from USDA/Official forecasts to 4.25 MMT-RV due to higher retail prices and continued HFCS substitution. Domestic sugar consumption for MY2010/11 was revised downward from previous USDA/Official estimates to 4.25 MMT-RV, as well, due to greater substitution between sugar and HFCS. High sugar prices have led to the utilization of more HFCS, mainly by soft-drink bottlers. Sugar consumption for MY 2009/10 remains unchanged.

HFCS consumption for MY2011/12 is forecast at about 1.53 MMT-dry basis if international prices for HFCS remain lower than domestic sugar prices. Soda-drink bottlers could change their usage ratio of HFCS/sugar to 50/50 due to the recent fluctuations of the peso/dollar exchange rate that increased the price of HFCS imports. HFCS consumption for MY2010/11 is estimated by the industry to be higher than previously expected. The industry estimate for HFCS consumption is now between 1.5 to 1.6 MMT-dry basis as high sugar prices have led the soft-drink industry to use more HFCS in its formulas.

The MY2011/12 sugar use under the “other disappearance” category, which is used mainly for IMMEX industries, is estimated at 290,000 MT-RV. The MY2010/11 other disappearance sugar use is estimated also at 290,000 MT-RV of which 176,000 MT-RV could have been imported. The IMMEX program allows sugar to be sold to Mexican food manufacturers as raw material for further processing. These food manufacturers must then process the sugar within six months from the date of purchase and export the final processed product.

Trade:
SUGAR

The Mexican sugar export forecast for MY2011/12 was revised upward from the USDA/Official forecast to 1.4 MMT-RV due to attractive international sugar prices. The MY2010/11 sugar export estimate was revised upward to 1.43 MMT-RV based on CONADESUCA’s August [report](#). This is due to greater domestic HFCS usage that has reduced sugar consumption and made it available for export. Sugar exports for MY2009/10 remain unchanged.

The MY2011/12 sugar import forecast is revised upwards from the USDA/Official forecast to 250,000 MT-RV. This estimate includes most of the sugar imports of the TRQ announced on June 29, 2011, for 159,000 MT-RV (See Policy Section). However, industry sources believe that the entire TRQ will not be filled, as peso/dollar exchange rate fluctuations have made sugar imports more expensive. Imports will depend on the amount of sugar required to cover the needs of the Mexican re-export program (IMMEX) industries. The Secretariat of Economy (SE) was considering opening a new TRQ to lower sugar market prices for the last three months of 2011; however, FAS/Mexico believes this TRQ will not be announced soon as it may have an unintended effect on Mexican sugar producer prices, as well. The MY2010/11 sugar import estimate was revised downward from the USDA/Official estimate to 280,000

MT-RV as the peso/dollar exchange rate is slowing down sugar imports, resulting also in few imports under the June 29, 2011, TRQ. The sugar import estimate for MY2009/10 remains unchanged.

HFCS

The HFCS import forecast for MY2011/12 is expected to be about 1.1 MMT-dry basis. However, imports will be more dependent on the exchange rate, as recent fluctuations have made imports more expensive. According to sources, imports for the rest of 2011 could remain high, however, due to current contracts in place. The HFCS import estimate for MY2010/11 is expected to be about 1.1 MMT-dry basis.

Stocks:

The sugar ending stock forecast for MY2011/12 is 750 MT-RV due to expected higher sugar exports. This is approximately two months of domestic consumption and includes IMMEX sugar use. Sugar ending stocks for MY2010/11 are likely to end at 790,000 MT-RV as Mexico exported more sugar than previously expected. Stocks for MY2009/10 remain unchanged at 973,000 MT-RV

Policy:

The SE has allowed sugar to be imported under TRQs in order to bring greater stability to the domestic food market. SE anticipated that sugar demand will exceed available domestic supplies in the second half of 2011. Due to this situation and the recent rise of sugar prices affecting both the competitiveness of the processing sector that uses sugar as an input and the purchasing power of consumers, SE published two announcements on June 29 and July 1, 2011. The first announcement established the rules to import [135,000 MT TRQ](#) (143,100 MT RV) from any country, the second announcements announced that [15,000 MT](#) (15,900 MT-RV) were to be imported from Nicaragua at zero duty, under the free-trade scheme that Mexico maintains with this country.

On July 22, 2011, SE's Integrated Information System for Foreign Trade (SIICEX) published the rules for participation in the above-mentioned TRQ public auctions. On August 9, 2011, [SIICEX](#) reported that the 150,000 MT TRQ was entirely allocated to interested parties and that the TRQs will be valid until December 31, 2011. Finally, on August 29, 2011, SIICEX notified the public that the previously allocated, but yet unclaimed TRQ's will be reallocated and available to other interested parties.

On August 4, 2011, SE issued [Announcement No. 159](#) reporting that it was studying sugar inventories in order to ascertain whether additional TRQs may be necessary during the first three months (October to December 2011) of the next sugar marketing year. On August 19, 2011, SE provided notification to the Federal Commission for Regulatory Improvement (COFEMER) that it believed there would be a shortfall of 150,000 MT of sugar in the first 3 months of the year and that the benefits of issuing a TRQ outweighed the costs. The notifications were in two parts and suggested that a TRQ for [Nicaragua](#) and the [rest of the world](#) were necessary because MY2010/11 final sugar production figures were 2.37 percent lower than preliminary estimates and MY2010/11 ending stocks were 17.22 percent lower than MY2009/10 ending stocks. As of September 28, 2011, the request for a TRQ is still resting in COFEMER and no official announcement has been issued in the *Diario Oficial* (Federal Register). Moreover, unofficial sources of information have indicated that is very likely that this TRQ will not be published soon.

Production, Supply and Demand Data Statistics:

Producer Prices

The September 2011 exchange rate fluctuations are a concern to the industry because any increase or decrease in sugar prices could affect the formula used to calculate final sugarcane payments.

Market Prices

SE through the National Market Information Service (SNIIM) reports sugar prices on a monthly basis delivered to different cities in Mexico from different mills. The prices appearing in the following table are for monthly prices of sugar delivered to the wholesale market in Mexico City on a 50-kilogram bag basis. Since February (Standard) and January (Refined) 2011, market prices have been increasing and this, reportedly, is one of the factors leading SE to announce TRQs as a means of controlling prices.

Month	Standard			Refined		
	2010	2011	Percent Change	2010	2011	Percent Change
January	552.25	505.63	(8.44)	647.71	569.59	(12.06)
February	626.75	497.38	(20.64)	679.17	566.67	(16.56)
March	587.83	509.73	(13.29)	679.03	563.66	(16.99)
April	553.75	517.79	(6.49)	670.73	566.25	(15.58)
May	512.92	535.27	4.36	639.21	578.33	(9.52)
June	482.00	536.17	11.24	605.80	581.67	(3.98)
July	493.75	560.50	13.52	591.17	603.34	2.06
August	503.13	624.77	24.18	565.67	661.33	16.91
September	561.75	637.50	13.48	590.83	678.25	14.80
October	542.81	n/a	n/a	588.92	n/a	n/a
November	526.50	n/a	n/a	581.67	n/a	n/a
December	493.13	n/a	n/a	564.17	n/a	n/a

Source: Servicio Nacional de Información de Mercados SNIIM-ECONOMIA
http://www.economia-sniim.gob.mx/Sniim-an/e_SelAzu.asp?
 *Through September 28, 2010

Table 2. Mexico: Monthly Exchange Rate Averages for 2008 - 2011 in Mexican Pesos per U.S. \$1.00

Month	2008	2009	2010	2011
January	10.91	13.15	12.80	12.13
February	10.77	14.55	12.95	12.06
March	10.74	14.71	12.59	12.00
April	10.52	13.41	12.23	11.73

May	10.44	13.19	12.71	11.64
June	10.33	13.47	12.72	11.80
July	10.24	13.36	12.82	11.67
August	10.10	13.00	13.74	12.22
September	10.61	13.41	12.82	12.98*
October	12.56	13.24	12.44	N/A
November	12.31	13.12	12.33	N/A
December	13.40	12.85	12.39	N/A
Annual Avg.	11.14	12.33	12.62	12.02

Source: Bank of Mexico

Note: Monthly rates are averages of daily exchange rates from the Banco de Mexico. As of September 28, 2011

Table 3. Mexico: Centrifugal Sugar PS&D

Sugar, Centrifugal 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
Beginning Stocks	624	624	973	973	802	790
Beet Sugar Production	0	0	0	0	0	0
Cane Sugar Production	5,115	5,115	5,550	5,500	5,650	5,650
Total Sugar Production	5,115	5,115	5,550	5,500	5,650	5,650
Raw Imports	0	0	0	0	0	0
Refined Imp.(Raw Val)	861	861	313	280	190	250
Total Imports	861	861	313	280	190	250
Total Supply	6,600	6,600	6,836	6,753	6,642	6,690
Raw Exports	0	0	0	0	0	0
Refined Exp.(Raw Val)	773	773	1,382	1,428	901	1,400
Total Exports	773	773	1,382	1,428	901	1,400
Human Dom. Consumption	4,615	4,615	4,352	4,245	4,460	4,250
Other Disappearance	239	239	300	290	300	290
Total Use	4,854	4,854	4,652	4,535	4,760	4,540
Ending Stocks	973	973	802	790	981	750
Total Distribution	6,600	6,600	6,836	6,753	6,642	6,690

1000 MT

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

Sugar Cane for Centrifugal Mexico	2009/2010		2010/2011		2011/2012	
	Market Year Begin: Nov 2009		Market Year Begin: Nov 2010		Market Year Begin: Nov 2011	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	728	733	740	740	740	740
Area Harvested	659	659	675	675	675	675
Production	43,317	43,370	45,450	45,450	45,500	45,500
Total Supply	43,317	43,370	45,450	45,450	45,500	45,500
Utilization for Sugar	43,317	43,370	45,450	45,450	45,500	45,500

Utilizatn for Alcohol	0	0	0	0	0	0
Total Utilization	43,317	43,370	45,450	45,450	45,500	45,500
1000 HA, 1000 MT						

Author Defined:

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.

FAS/Mexico YouTube Channel: Catch the latest videos of FAS Mexico at work

<http://www.youtube.com/user/ATOMexicoCity>

Other Relevant Reports Submitted by FAS/Mexico:

Report Number	Subject	Date Submitted
MX1065	Mexico to Consider Additional Sugar TRQs	8/15/2011
MX1052	2011 Biofuels Annual: Little Policy or Production Change Since Last Year, But Interest Growing	6/29/2011
MX1048	Expected Tariff Rate Quota for Sugar	6/13/2011
MX1029	2011 Sugar Annual: Sugar and Sugar Cane Production Forecast Stable with HFCS Consumption Grows	4/15/2011
MX0081	Sugar Reference Price	11/9/2010
MX0071	Mexico Formally Announces 100K MT Sugar TRQ	10/18/2010
MX0069	TRQ for Sugar Expected	10/4/2010
MX0068	Sugar, Sugar Cane, and HFCS Situation	10/4/2010

Useful Mexican Web Sites: Mexico's equivalent of the U.S. Department of Agriculture (SAGARPA) can be found at www.sagarpa.gob.mx, the equivalent of the U.S. Department of Commerce (SE) can be found at www.economia.gob.mx, and the equivalent of the U.S. Food and Drug Administration (SALUD) can be found at www.salud.gob.mx. These web sites are mentioned for the reader's convenience but USDA does NOT in any way endorse, guarantee the accuracy of, or necessarily concur with, the information contained on the mentioned sites.