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Global Agricultural Information Network

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## Mexico

### Oilseeds and Products Annual

#### Lack of Supports to Slow Oilseed Production, while Meal and Oil Remain Stable

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**Report Highlights:**

Post expects relatively limited growth in oilseed production in MY 2019/20, due in part to the lack of government programs encouraging oilseed planting. The oilseed meal and oils sectors are expected to grow by approximately three percent, driven by strong meal demand from the poultry and livestock sectors.

## EXECUTIVE SUMMARY

Oilseed production is expected to rebound in marketing year (MY) 2019/20, after weather issues lowered MY 2018/19 yields. However, the new Mexican government has generally prioritized other commodities, leaving few support programs that would encourage any expansion in oilseed planting. As a result, Mexican oilseed production is not expected to increase significantly in the foreseeable future. Given continued demand for oilseeds for crushing, steady growth in imports is likely.

Mexico's oilseed crushing sector is expected to grow by approximately three percent in marketing year (MY) 2019/20, driven by continued demand for meals in the livestock sector and stable growth in oil demand. Macroeconomic factors are expected to remain relatively stable, with overall economic growth predicted at 1.1-1.2 percent, and population growth at approximately one percent. Oil demand should generally track with those factors. The poultry and livestock sectors have enjoyed stronger growth, increasing demand for oilseed meals used in feed.

Given attractive pricing for U.S. soybeans in MY 2018/19, crushers have generally preferred to use more soy compared to canola or other oilseeds. Strong crushing margins for soy are expected to continue in MY 2019/20. The Mexican oilseed market continues to be driven mainly by price, despite growing interest in healthier oils.

## OILSEEDS: PRODUCTION, SUPPLY AND DEMAND STATISTICS

**Table 1: Mexico: Production, Supply, and Distribution (PSD) for Total Oilseeds**

Market Begin Year	Total Oilseeds					
	2017		2018		2019	
Mexico	USDA Official	New Post	USDA Official	New Post	USDA Official	New
Area planted	327	335	270	267	0	315
Area Harvested	332	328	281	260	0	307
Beginning stocks	255	255	258	255	0	295
Production	544	541	452	446	0	515
MY imports	6,602	6,602	6,993	6,993	0	7,047
<b>Total Supply</b>	<b>7,401</b>	<b>7,398</b>	<b>7,703</b>	<b>7,694</b>	<b>0</b>	<b>7,857</b>
MY Exports	35	35	37	37	0	40
Crush Dom. Consump.	6,787	6,787	7,037	7,037	0	7,218
Food Use Dom. Consump.	283	283	287	287	0	293
Feed,Seed, Waste Dm.Cn.	38	38	38	38	0	38
<b>Total Dom. Consumption</b>	<b>7,108</b>	<b>7,108</b>	<b>7,362</b>	<b>7,362</b>	<b>0</b>	<b>7,549</b>
Ending Stocks	258	255	304	295	0	268
<b>Total Distribution</b>	<b>7,401</b>	<b>7,398</b>	<b>7,703</b>	<b>7,694</b>	<b>0</b>	<b>7,857</b>

**Table 2: Mexico: Production, Supply, and Distribution (PSD) for Soybeans**

Oilseed, Soybean Market Begin Year Mexico	2017/2018		2018/2019		2019/2020	
	Sep 2017		Sep 2018		Sep 2019	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	270	270	220	198	0	245
Area Harvested	263	263	210	191	0	237
Beginning Stocks	158	158	179	179	0	209
Production	433	433	340	335	0	400
MY Imports	4873	4873	5230	5230	0	5260
MY Imp. from U.S.	4533	4533	4900	5000	0	5200
MY Imp. from EU	0	0	0	0	0	0
Total Supply	5464	5464	5749	5744	0	5869
MY Exports	0	0	0	0	0	0
MY Exp. to EU	0	0	0	0	0	0
Crush	5250	5250	5500	5500	0	5660
Food Use Dom. Cons.	0	0	0	0	0	0
Feed Waste Dom. Cons.	35	35	35	35	0	35
Total Dom. Cons.	5285	5285	5535	5535	0	5695
Ending Stocks	179	179	214	209	0	174
Total Distribution	5464	5464	5749	5744	0	5869
CY Imports	5210	4925	5300	5300	0	5375
CY Imp. from U.S.	4900	4675	5000	5000	0	5070
CY Exports	0	0	0	0	0	0
CY Exp. to U.S.	0	0	0	0	0	0
Yield	1.6464	1.6464	1.619	1.7539	0	1.6878
(1000 HA) ,(1000 MT) ,(MT/HA)						

**Table 3: Mexico: Production, Supply, and Distribution (PSD) for Rapeseed**

Oilseed, Rapeseed Market Begin Year Mexico	2017/2018		2018/2019		2019/2020	
	Oct 2017		Oct 2018		Oct 2019	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	0	2	0	4	0	3
Area Harvested	6	2	6	4	0	3
Beginning Stocks	69	69	46	43	0	47
Production	5	2	5	4	0	3
MY Imports	1472	1472	1500	1500	0	1520
Total Supply	1546	1543	1551	1547	0	1570
MY Exports	0	0	0	0	0	0
Crush	1500	1500	1500	1500	0	1520
Food Use Dom. Cons.	0	0	0	0	0	0
Feed Waste Dom. Cons.	0	0	0	0	0	0
Total Dom. Cons.	1500	1500	1500	1500	0	1520
Ending Stocks	46	43	51	47	0	50
Total Distribution	1546	1543	1551	1547	0	1570
(1000 HA) ,(1000 MT) ,(MT/HA)						

**Table 4: Mexico: Production, Supply, and Distribution (PSD) for Sunflower Seed**

Oilseed, Sunflowerseed Market Begin Year Mexico	2017/2018		2018/2019		2019/2020	
	Oct 2017		Oct 2018		Oct 2019	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	0	6	0	8	0	8
Area Harvested	6	6	8	8	0	8
Beginning Stocks	2	2	2	2	0	4
Production	9	9	10	10	0	10
MY Imports	27	27	28	28	0	27
Total Supply	38	38	40	40	0	41
MY Exports	0	0	0	0	0	0
Crush	33	33	33	33	0	34
Food Use Dom. Cons.	0	0	0	0	0	0
Feed Waste Dom. Cons.	3	3	3	3	0	3
Total Dom. Cons.	36	36	36	36	0	37
Ending Stocks	2	2	4	4	0	4
Total Distribution	38	38	40	40	0	41

(1000 HA) ,(1000 MT) ,(MT/HA)

**Table 5: Mexico: Production, Supply, and Distribution (PSD) for Peanuts**

Oilseed, Peanut Market Begin Year Mexico	2017/2018		2018/2019		2019/2020	
	Sep 2017		Sep 2018		Sep 2019	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	57	57	57	57	0	59
Area Harvested	57	57	57	57	0	59
Beginning Stocks	26	26	31	31	0	35
Production	97	97	97	97	0	102
MY Imports	230	230	235	235	0	240
Total Supply	353	353	363	363	0	377
MY Exports	35	35	37	37	0	40
Crush	4	4	4	4	0	4
Food Use Dom. Cons.	283	283	287	287	0	293
Feed Waste Dom. Cons.	0	0	0	0	0	0
Total Dom. Cons.	287	287	291	291	0	297
Ending Stocks	31	31	35	35	0	40
Total Distribution	353	353	363	363	0	377

(1000 HA) ,(1000 MT) ,(MT/HA)

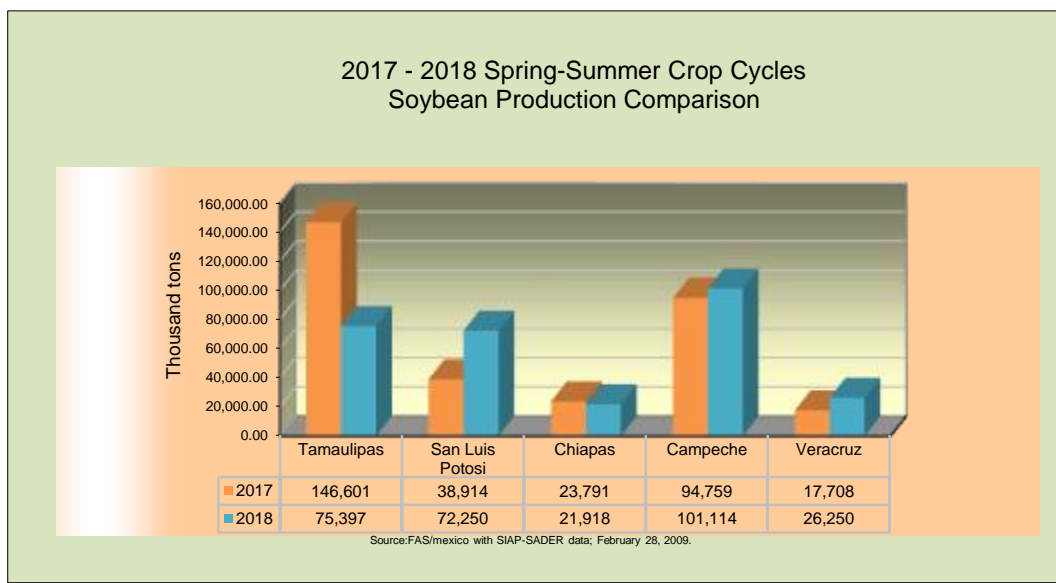
## OILSEED PRODUCTION

Mexico's overall oilseed production is forecast to increase by approximately 18 percent in MY 2019/20. All of this growth is attributed, essentially, to an increase in soybean production. Still, the 400,000 MT of soybeans that are expected to be produced in this marketing year is rather low compared to MY 2017/18. In general, many Mexican farmers are moving productive agricultural land into relatively more profitable alternative crops, such as corn or wheat. Moreover, according to private and official sources, it is unlikely that planted area will increase significantly in the coming years, as many supports granted by the Federal and state governments were canceled or reduced, which should adversely affect the planting decisions of oilseeds growers. (See the policy section below for more details.)

According to official and private sources the planted area for soybeans will reach 245,000 hectares (ha), a 24 percent increase from the revised MY 2018/19 area estimate of 198,000 ha. This increase reflects expectations for higher yields this marketing year, and assumes the resumption of normal weather

conditions. Despite this increase in production, Mexican growers still only supply seven percent of total domestic consumption and is lower than the production level of MY 2017/18.

Due to revised data of the Secretariat of Agriculture and Rural Development (SADER), and preliminary information from private sources, FAS/Mexico estimates for soybean production, planted area, and harvested area for MY 2018/19 have been adjusted downward. This reduction in soybean production and planted area is due to the lack of rainfall in the main production areas. In Tamaulipas, the severe drought in the 2018 spring/summer crop cycle caused soybean production to decrease 48.5 percent compared to the same crop cycle of a year earlier, to 75,397 MT. Mexican soybean production continues to be subject to unpredictable weather conditions, as approximately 83.2 percent of production takes place in non-irrigated areas. Below is a graph illustrating the difference in the 2018 vs. 2017 soybean spring/summer crop production in the main producing states, with data as of February 28, 2019:



Private sources continue to note that only soybean farmers in a few states such as Tamaulipas and Yucatan receive limited financing and support from the main crushing and vegetable oil manufacturers (i.e. Ragasa and Proteinas y Oleicos). However, in other major producing states such as Campeche, San Luis Potosi or Veracruz, farmers do not have access to these supports and financing. As a result, planted area is unlikely to increase.

For MY 2019/20, rapeseed production is forecast to decline to 3,000 MT, reflecting lower planted area. Both official and private sources reiterated that the elimination of the oilseed governmental support, along with several cultivation problems in the production of rapeseed (canola), disincentive planting in the upcoming marketing year. Among the problems farmers face with rapeseed are the minimal incorporation of technologies and innovations at the farm level, low availability and out-of-date agricultural machinery, the lack of domestic seeds with high yields, and insufficient training and technical assistance. Post's total rapeseed production estimate and planted and harvested areas for MY 2018/19 have been revised downward from the previous USDA/Official estimates, reflecting the latest official data from SADER.

Sunflower seed production for MY 2019/20 is forecast to remain stable at just 10,000 MT. Despite official data showing an expansion of sunflower planted area, private sources indicate that sunflower planting is more likely to remain constant. Post therefore estimates that planted area will remain at approximately 8,000 ha. Farmers have had very little incentive to expand planted area, given a lack of governmental supports and limited of knowledge about best practices for planting. Several years ago, an international seed company launched a pilot program to encourage the use of improved sunflower seed with higher oleic content. The program was supported by a multinational snack food company, which was the main purchaser of the oil produced from the sunflower seeds. However, the sunflower seeds produced under the program were relatively expensive, and the pilot project has since been cancelled. As a result, there are limited prospects for expansion in the sunflower sector.

MY 2019/20 peanut production is forecast at 102,000 MT, a five percent increase over the previous marketing year. This increase is primarily due to a slight expansion in planted area, according to farmer's stated planting intentions. Production has remained relatively stable over the past few years, with few factors to encourage any significant change to planting trends. There are no particular government programs to support peanut production, though some snack food companies do help farmers with financing in states like Chihuahua. Observers note that peanut production in Mexico does not use current technologies, making Mexican peanuts less competitive compared to peanuts from other origins. A majority of peanut production is non-irrigated.

## **OILSEED CONSUMPTION**

Total oilseed consumption is expected to increase by nearly 2.6 percent in MY 2019/20, a lower rate of increase than that of MY 2018/19 (3.6 percent). This increase in demand is primarily attributable to the growth in the livestock sector and stable population growth. It should be noted, however, than an anticipated slowdown in the Mexican economy could lead to a slight slump in the beef, pork, and poultry meat markets in the medium term. Industry sources stated the reduced growth predicted this year reflects the expectation that consumers may have less purchasing power than in previous years. According to animal feed industry data, for example, poultry producers estimate that consumption of oilseed meals will increase around three percent in CY 2019. This is slightly lower than last year, when the poultry sector increased oilseed meal consumption by four percent. The poultry sector continues to be the major consumer of soybean meal in Mexico. Price and credit availability continue to be the main factors driving consumption decisions for oilseeds and its by-products. In addition, the pork sector's 2019 outlook is also relatively optimistic.

Large companies such as Agydsa, Ragasa, Proteinas y Oleicos, and Cargill continue to represent nearly 80 percent of crushing capacity in Mexico. Competition between these firms continues to be intense, and in order to stay competitive these firms have made significant investments in their plants in recent years with an eye towards reducing costs and expanding services.

For example, Agydsa is building a new plant in Jalisco with a crushing capacity of 4,000 MT daily, which should be operating next July or August. Similarly, Cargill recently invested 16 million USD to install a production and bottling line for edible vegetable oil in its plant in Hidalgo. As a result, Cargill began participating in the vegetable oils and fats retail sector in Mexico. According to media reports, the bottling line required the construction of a 40,000 square meter industrial warehouse. With the new production line, the Cargill plant in Hidalgo became one of the company's largest and most modern

worldwide. The plant itself produces 13,000 tons of soybean oil per month, which is sold in bulk and in packaging.

Industry sources stated that crushing margins have been very favorable in CY 2018 and are expected to increase slightly, mainly in soybeans, as the more efficient crushers control a large part of the market and international soybeans prices continue to be competitive.

MY 2019/20 domestic soybean demand is forecast at 5.695 million metric tons (MMT), approximately three percent higher than the MY 2018/19 consumption estimate. The increase in feed demand, stronger processor demand, and population growth (1.01 percent) drive this increase. Similarly, the animal feed industry expects three percent growth in CY 2019, due to the growth in the poultry and pork sectors noted above.

The forecast for rapeseed (or canola) consumption in MY 2019/20 is expected to increase slightly to 1.52 MMT, about 1.3 percent. Private sources have mentioned Mexican crushers have a particular market for canola oil due to its higher oleic content, and they will import canola when the price is competitive. However, soy prices are expected to continue giving better margins to crushers.

Sunflower seed consumption for MY 2019/20 is expected to increase very slightly to 41,000 MT, primarily due to a small increase in crushing. In general, crushing demand has remained relatively stable for several years, with just a few companies interested in processing sunflower seeds. No change is expected in the approximately 3,000 MT of sunflower seed that is used primarily for bird feed each year. A limited amount of sunflower seed is believed to be used for direct human consumption as a snack, though there are no reliable estimates for this use.

Total peanut consumption is expected to increase to 293,000 MT in MY 2019/20, driven primarily by a slight increase in food use. Peanuts are primarily used as a snack food in Mexico, with minimal crushing or processing. Industry sources continue to note that peanuts are often an impulse purchase at the point of sale in Mexico, and as such are highly dependent on the macroeconomic situation. Peanut consumption generally tracks with economic growth and population growth, which is expected to be about two percent in this marketing year. Mexico is primarily a price-driven market in terms of peanut consumption. It is estimated that over half of peanuts are sold at the retail sector, with approximately a quarter of peanut consumption occurring in the food-processing sector. Retail sales vary from single-serve packets in a variety of flavors to sales of bulk peanuts in small shops or stands, often flavored with lime and salt or chili powder.



## **OILSEED TRADE**

Total oilseed import forecast for MY2019/20 is estimated to increase to 7.05 MMT, a slight increase over the MY2018/19 estimate. This increase is driven by population growth (1.01 percent) and the expected growth in Mexico's livestock and poultry sector.

Private sources stated due to the strong Chinese demand for South American soybeans in CY 2018, Mexican crushers and vegetable oil refiners imported practically all their requirements from the United States, where they found very affordable prices. These sources have expressed that if the bearish international soybean market conditions continue in the MY 2019/20, the margin expectations of the domestic crushers and vegetable oil refiners would continue being good or could increase slightly. Soybean is the primary oilseed imported by Mexico for crushing domestically, and this is expected that continue in the near future.

Soybean imports are expected to increase slightly in MY 2019/20 to 5.3 MMT, due to of the moderate increase in feed demand and population growth. Regarding animal feed demand, Post expects to see growing demand from the poultry producers, given that poultry is one of the cheapest animal protein sources for Mexican consumers.

For MY 2019/20, rapeseed imports are estimated to increase slightly to 1.52 MMT. This increase assumes that the international soybean market continues to be bearish, which will push Mexican importers' preferences to soy instead of rapeseed. According to industry sources, Mexico's import decisions continue to be based largely on prices, rather than quality or strong consumer preferences. Canada has continued to be the primary supplier to the Mexican market and is expected to remain so in the next few years.

Imports of sunflower seeds are forecast to decline very slightly in MY 2019/20, to 27,000 MT. The major suppliers of sunflower seeds to Mexico are the United States and Argentina, with Bulgaria also taking some market share in recent years.

Peanut imports are expected to increase by about two percent to 240,000 MT in MY 2019/20. The United States is by far the largest supplier of peanuts to Mexico. However, Mexico imports from a variety of other countries, including Nicaragua, China, and Brazil. China is the largest supplier of in-shell peanuts. Mexico exports a small amount of peanuts each year, with the United States as the primary export market. Exports are forecast to grow to 40,000 MT in MY 2019/20.



## OIL MEALS: PRODUCTION, SUPPLY AND DEMAND STATISTICS

**Table 6: Mexico: Production, Supply, and Distribution (PSD) for Total Meals**

Market Begin Year	Total Oil Meals					
	2017		2018		2019	
Mexico	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Crush	6,783	6,783	7,033	7,033	0	7,214
Extr. Rate			2	2	0	2
Beginning stocks	53	53	54	54	0	61
Production	5,029	5,029	5,071	5,071	0	5,209
MY imports	1,841	1,841	2,025	2,025	0	2,077
<b>Total Supply</b>	<b>6,923</b>	<b>6,923</b>	<b>7,150</b>	<b>7,150</b>	0	<b>7,347</b>
MY Exports	15	15	15	15	0	15
Industrial Dom. Cons.	0	0	0	0	0	0
Food Use Dom. Cons.	50	50	50	50	0	50
Feed Waste Dom. Cons.	6,804	6,804	7,024	7,024	0	7,227
<b>Total Dom. Consumption</b>	<b>6,854</b>	<b>6,854</b>	<b>7,074</b>	<b>7,074</b>	0	<b>7,277</b>
Ending Stocks	54	54	61	61	0	55
<b>Total Distribution</b>	<b>6,923</b>	<b>6,923</b>	<b>7,150</b>	<b>7,150</b>	0	<b>7,347</b>

**Table 7: Mexico: Production, Supply, and Distribution (PSD) for Soybean Meal**

Meal, Soybean Market Begin Year	2017/2018		2018/2019		2019/2020	
	Sep 2017		Sep 2018		Sep 2019	
Mexico	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Crush	5250	5250	5500	5500	0	5660
Extr. Rate, 999.9999	0.7909	0.7909	0.7622	0.7622	0	0.7633
Beginning Stocks	36	36	41	41	0	48
Production	4152	4152	4192	4192	0	4320
MY Imports	1818	1818	2000	2000	0	2050
MY Imp. from U.S.	1816	1816	1945	1945	0	2050
MY Imp. from EU	0	0	0	0	0	0
<b>Total Supply</b>	<b>6006</b>	<b>6006</b>	<b>6233</b>	<b>6233</b>	0	<b>6418</b>
MY Exports	15	15	15	15	0	15
MY Exp. to EU	0	0	0	0	0	0
Industrial Dom. Cons.	0	0	0	0	0	0
Food Use Dom. Cons.	50	50	50	50	0	50
Feed Waste Dom. Cons.	5900	5900	6120	6120	0	6305
<b>Total Dom. Cons.</b>	<b>5950</b>	<b>5950</b>	<b>6170</b>	<b>6170</b>	0	<b>6355</b>
Ending Stocks	41	41	48	48	0	48
<b>Total Distribution</b>	<b>6006</b>	<b>6006</b>	<b>6233</b>	<b>6233</b>	0	<b>6418</b>

(1000 MT) ,(PERCENT)

**Table 8: Mexico: Production, Supply, and Distribution (PSD) for Rapeseed Meal**

Meal, Rapeseed Market Begin Year Mexico	2017/2018		2018/2019		2019/2020	
	Oct 2017		Oct 2018		Oct 2019	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Crush	1500	1500	1500	1500	0	1520
Extr. Rate, 999.9999	0.5753	0.5753	0.5767	0.5767	0	0.5757
Beginning Stocks	17	17	13	13	0	13
Production	863	863	865	865	0	875
MY Imports	23	23	25	25	0	27
Total Supply	903	903	903	903	0	915
MY Exports	0	0	0	0	0	0
Industrial Dom. Cons.	0	0	0	0	0	0
Food Use Dom. Cons.	0	0	0	0	0	0
Feed Waste Dom. Cons.	890	890	890	890	0	908
Total Dom. Cons.	890	890	890	890	0	908
Ending Stocks	13	13	13	13	0	7
Total Distribution	903	903	903	903	0	915

(1000 MT) ,(PERCENT)

**Table 9: Mexico: Production, Supply, and Distribution (PSD) for Sunflower Seed Meal**

Meal, Sunflowerseed Market Begin Year Mexico	2017/2018		2018/2019		2019/2020	
	Oct 2017		Oct 2018		Oct 2019	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Crush	33	33	33	33	0	34
Extr. Rate, 999.9999	0.4242	0.4242	0.4242	0.4242	0	0.4118
Beginning Stocks	0	0	0	0	0	0
Production	14	14	14	14	0	14
MY Imports	0	0	0	0	0	0
Total Supply	14	14	14	14	0	14
MY Exports	0	0	0	0	0	0
Industrial Dom. Cons.	0	0	0	0	0	0
Food Use Dom. Cons.	0	0	0	0	0	0
Feed Waste Dom. Cons.	14	14	14	14	0	14
Total Dom. Cons.	14	14	14	14	0	14
Ending Stocks	0	0	0	0	0	0
Total Distribution	14	14	14	14	0	14

(1000 MT) ,(PERCENT)

## OIL MEAL PRODUCTION

The total Mexican oil meal production forecast for MY 2019/20 is 5.2 MMT, 2.7 percent higher than the estimate for MY 2018/19. The growth is driven by greater demand for oil meal by the livestock and poultry sectors. Mexico's beef and pork sector outlook continue to be optimistic, as both sectors are expected to increase their output three percent in CY 2019. As noted in the previous section, the poultry industry also anticipates similar growth. Industry sources have stated that sufficient international soybean supplies and affordable soybean prices will likely encourage domestic crushing in MY 2019/20. These sources indicate that the crush pace will largely be determined by the domestic demand for soybean meal in the livestock industry.

As in previous years, soybean meal continues to dominate the Mexican market, and for MY 2019/20 soy meal is expected to account for nearly 83 percent of Mexico's total meal production. Meanwhile, the production of oil meal from imported rapeseed is expected again to account for approximately 17 percent of total meal production in MY 2019/20. Industry sources have indicated that average soybean

prices are expected to remain more affordable than those of rapeseed. Moreover, manufacturers have pointed out that soybean meal has higher protein content than rapeseed meal. Consequently, more soybeans would be crushed at the expense of rapeseed.

The upward trend in meal production has continued over the last few years, which also reflects increased domestic crush capacity. As previously noted, this capacity continues to be highly concentrated in few leading companies, such as Ragasa, Agydsa, Proteinas y Oleicos, and Cargill, among others. These companies have expanded physical capacity in their crushing facilities and have also made their crushing process and mechanical systems more efficient. However, private sources noted that this trend of expansion and modernization of crush capacity could slow down in MY 2019/20 due to the economic uncertainty in Mexico, and the consequent relatively bearish demand for oil meals and vegetable oils.

Rapeseed meal production is forecast to increase 1.2 percent for MY 2019/20, supported by an expected increase in domestic pork production in CY 2019. The pork industry continues to be a major consumer of rapeseed meal in Mexico.

Production of sunflower meal is expected to remain constant at 14,000 MT in MY 2019/20. Stable crushing levels and relatively weak demand for sunflower meal will limit opportunities for increased production.

## **MEAL CONSUMPTION**

For MY 2019/20, total oil meal consumption is expected to increase by approximately 2.9 percent. As noted above, the animal feed industry is expected to grow approximately three percent in 2019. The poultry sector continues to be the major user of oilseeds meals in Mexico (mainly soybean meal). According to the National Union of Poultry Farmers (UNA), the Mexican poultry industry, as a whole, grew by three percent in 2018, and this trend is expected to continue in 2019. UNA stated that feed continues representing approximately 63 percent of the total cost of chicken production. Factors that play into continued poultry sector growth include modernization of farms, improved biosecurity measures, new technologies and relatively well-priced feed (i.e. such as oilseed meals). As indicated in the previous section, poultry remains the most affordable animal protein for the low and mid-income population, accounting for 60 percent of animal protein consumption. For additional information on the Mexican poultry sector, please see [MX9013](#).

In addition, swine production is expected to increase nearly three percent, due to infrastructure modernization, vertical integration, and improved biosecurity, which are allowing Mexican pork producers to ramp up production to meet the increasing domestic demand for pork. In addition, Mexico's recognition as being free from Classical Swine Fever (CSF) has open new export markets and allowed states like Veracruz and Puebla to invest in facility expansion. The swine sector is the largest consumer of rapeseed meals, and CY 2018 saw an increase of 2.21 percent from 2017. Similarly, animal feed industry sources stated the swine industry consumed 17 percent (6.4 MMT) of total feed production in 2017. Private sources forecast this use by the swine sector could increase to 7.7 MMT by 2020. For additional information about the livestock sector, please see [MX9003](#).

Soybean meal consumption is expected to continue increasing at 6.35 MMT or three percent higher, which is slightly lower rate than a year earlier (3.7 percent). This increase is driven by the expanding poultry and hog industries.

For MY 2019/20, consumption of rapeseed meal is also expected to increase to 908,000 MT, due to expected growth in the dairy and swine industries. Soybean meal is, and will likely to continue to be, the meal of choice in the poultry industry. Rapeseed meal consumption should continue to account for about 13 percent of total meal consumption in MY 2019/20, similar level that the previous year.

Essentially all sunflower meal produced in Mexico will be used for feed consumption. Demand for sunflower meal is fairly weak, as industry sources note that protein levels and other characteristics provide limited opportunities for sunflower meal outside of cattle feed.

**TABLE 10: MEXICO’S PROTEIN ON A SOY MEAL EQUIVALENT BASIS (SME)**

SME	2017/2018	2018/2019	2019/2020 f/
Sunflower Seed Meal	9	9	9
Rapeseed Meal	633	633	646
Soybean Meal	5,900	6,120	6,305
<b>Total</b>	<b>6,542</b>	<b>6,762</b>	<b>6,960</b>

f/ Forecast

## MEAL TRADE

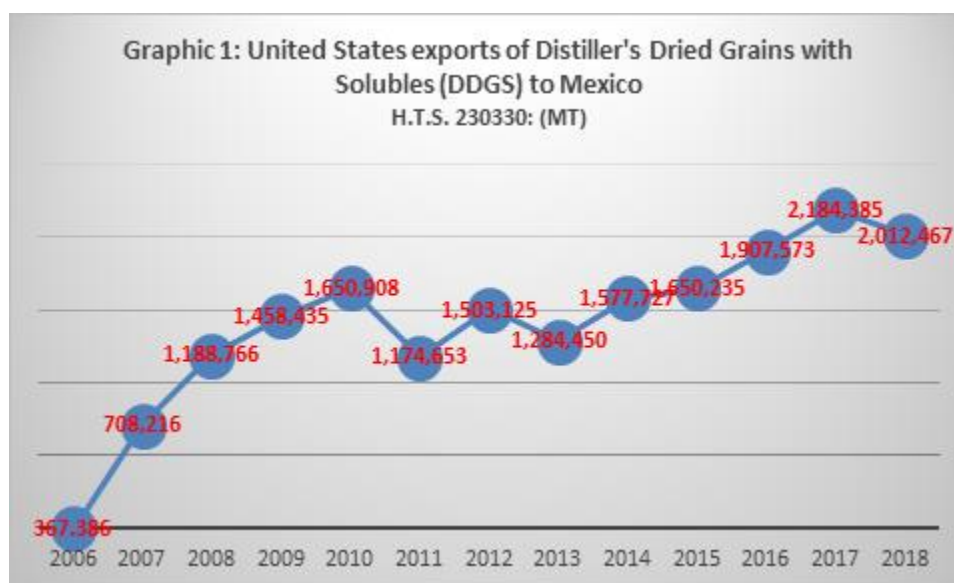
For MY 2019/20, total oil meal imports are forecast to increase 2.6 percent over MY2018/19 to 2.1 MMT, to match the relatively optimistic demand for feed consumption. This increase assumes that relatively affordable international prices will continue in this marketing year (of soybean meal essentially). For MY 2019/20, oil meal imports should continue at approximately 28 percent of total Mexican consumption, reflecting the higher domestic crushing capacity. Almost all of Mexico’s oil meal imports are soybean meal from the United States, which is expected to remain the main external supplier, with negligible amounts supplied from other origins (i.e. Latin America).

MY 2019/20 rapeseed meal imports should increase to 27,000 MT based on slight demand growth from the swine sector. Given the relatively limited demand for sunflower seed meal, there has been virtually no trade in this product for the past several years.

## DISTILLERS DRIED GRAIN WITH SOLUBLES (DDGS) TRADE

According to private industry sources, demand for distiller’s dried grains with solubles (DDGS), a co-product of corn-based ethanol production that is used mainly as an animal feed protein supplement, has been decreasing over the last year. These sources indicated that DDGS has been regularly used as a substitute for oilseed meal in feed concentrate formulas. However, as international prices of soybean meal have declined, the Mexican livestock and feed industry has increased its use, resulting in a gradual decrease in DDGS imports. Although the composition of ingredients in compound feed is stable in general, small adjustments can be made depending on the price of other ingredients and availability of oilseed meals. For example, the percentage of corn gluten used in compound feed is generally lower

than the amount of DDGS due corn gluten's higher price. Other ingredients used in feed concentrate formulas are fish and meat meal. The trend to use soybean meal instead of DDGS is expected to continue through CY 2019 (see graphic below).



Source: Global Trade Atlas

## OILS: PRODUCTION, SUPPLY AND DEMAND STATISTICS

**Table 11: Mexico: Production, Supply, and Distribution (PSD) for Total Oils**

Market Begin Year Mexico	Total Oils					
	2017		2018		2019	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Crush	6,783	6,783	7,033	7,033	0	7,224
Extr. Rate						
Beginning stocks	198	198	273	273	0	252
Production	1,551	1,551	1,596	1,596	0	1,634
MY imports	1,323	434	365	385	0	377
<b>Total Supply</b>	<b>2,183</b>	<b>2,183</b>	<b>2,234</b>	<b>2,254</b>	0	<b>2,263</b>
MY Exports	50	50	52	52	0	53
Industrial Dom. Cons.	0	0	0	0	0	0
Food Use Dom. Cons.	1,860	1,860	1,940	1,950	0	1,968
Feed Waste Dom. Cons.	0	0	0	0	0	0
<b>Total Dom. Consumption</b>	<b>1,860</b>	<b>1,860</b>	<b>1,940</b>	<b>1,950</b>	0	<b>1,968</b>
Ending Stocks	273	273	242	252	0	242
<b>Total Distribution</b>	<b>2,183</b>	<b>2,183</b>	<b>2,234</b>	<b>2,254</b>	0	<b>2,263</b>

**Table 12: Mexico: Production, Supply, and Distribution (PSD) for Soybean Oil**

Oil, Soybean Market Begin Year Mexico	2017/2018		2018/2019		2019/2020	
	Sep 2017		Sep 2018		Sep 2019	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Crush	5250	5250	5500	5500	0	5660
Extr. Rate, 999.9999	0.1785	0.1785	0.1785	0.1785	0	0.1784
Beginning Stocks	172	172	218	218	0	200

<b>Production</b>	937	937	982	982	0	1010
<b>MY Imports</b>	195	195	175	175	0	177
<b>MY Imp. from U.S.</b>	194	194	175	175	0	177
<b>MY Imp. from EU</b>	0	0	0	0	0	0
<b>Total Supply</b>	1304	1304	1375	1375	0	1387
<b>MY Exports</b>	26	26	25	25	0	26
<b>MY Exp. to EU</b>	0	0	0	0	0	0
<b>Industrial Dom. Cons.</b>	0	0	0	0	0	0
<b>Food Use Dom. Cons.</b>	1060	1060	1150	1150	0	1170
<b>Feed Waste Dom. Cons.</b>	0	0	0	0	0	0
<b>Total Dom. Cons.</b>	1060	1060	1150	1150	0	1170
<b>Ending Stocks</b>	218	218	200	200	0	191
<b>Total Distribution</b>	1304	1304	1375	1375	0	1387
(1000 MT) ,(PERCENT)						

**Table 13: Mexico: Production, Supply, and Distribution (PSD) for Rapeseed Oil**

Oil, Rapeseed Market Begin Year	2017/2018		2018/2019		2019/2020	
	Oct 2017		Oct 2018		Oct 2019	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Mexico						
<b>Crush</b>	1500	1500	1500	1500	0	1520
<b>Extr. Rate, 999.9999</b>	0.4	0.4	0.4	0.4	0	0.4013
<b>Beginning Stocks</b>	26	26	18	18	0	14
<b>Production</b>	600	600	600	600	0	610
<b>MY Imports</b>	98	98	100	100	0	100
<b>Total Supply</b>	724	724	718	718	0	724
<b>MY Exports</b>	6	6	4	4	0	4
<b>Industrial Dom. Cons.</b>	0	0	0	0	0	0
<b>Food Use Dom. Cons.</b>	700	700	700	700	0	708
<b>Feed Waste Dom. Cons.</b>	0	0	0	0	0	0
<b>Total Dom. Cons.</b>	700	700	700	700	0	708
<b>Ending Stocks</b>	18	18	14	14	0	12
<b>Total Distribution</b>	724	724	718	718	0	724
(1000 MT) ,(PERCENT)						

**Table 14: Mexico: Production, Supply, and Distribution (PSD) for Sunflower Seed Oil**

Oil, Sunflowerseed Market Begin Year Mexico	2017/2018		2018/2019		2019/2020	
	Oct 2017		Oct 2018		Oct 2019	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Crush	33	33	33	33	0	34
Extr. Rate, 999,9999	0.4242	0.4242	0.4242	0.4242	0	0.4118
Beginning Stocks	0	0	37	37	0	38
Production	14	14	14	14	0	14
MY Imports	141	141	90	110	0	100
Total Supply	155	155	141	161	0	152
MY Exports	18	18	23	23	0	23
Industrial Dom. Cons.	0	0	0	0	0	0
Food Use Dom. Cons.	100	100	90	100	0	90
Feed Waste Dom. Cons.	0	0	0	0	0	0
Total Dom. Cons.	100	100	90	100	0	90
Ending Stocks	37	37	28	38	0	39
Total Distribution	155	155	141	161	0	152

(1000 MT) ,(PERCENT)

## OIL PRODUCTION

Total oil production for MY 2019/20 is expected to increase by 2.4 percent to 1.6 MMT. This increase is driven by population growth (1.01 percent), along with the expected growth in the Mexican economy in 2019. Mexico's central bank (BANXICO) recently lowered its economic growth estimates for CY 2019 and next. Citing the recent slowdown in domestic activity as well as slower global growth and trade, BANXICO estimates GDP growth between 1.1 and 1.2 percent in 2019, compared with its previous estimate of 1.7 to 2.7 percent. BANXICO also lowered the forecast for 2020 to a range of 1.7 percent to 2.7 percent from the previous two to three percent. Industry sources have indicated that the crush is determined in part by domestic demand for vegetable oils, and traditionally this demand grows at a similar pace to GDP growth. In addition, these sources stated that production is expected to increase more rapidly than consumption in the current marketing year, due to crushers' desire to utilize their newly installed capacity.

Soybean oil remains the major oil produced domestically, accounting for 62 percent of total production. For the past year, about 96 percent of domestically produced soybean oil was extracted from imported U.S. soybeans. For MY 2019/20, soybean oil production is forecast to increase approximately three percent over MY2018/19 to 1.01 MMT due in part to demand for soy meal in the livestock sector, as previously discussed. Rapeseed oil production is expected to increase by approximately 1.7 percent in MY 2019/20, to keep pace with consumption.

Given steady crush volumes, MY 2019/20 production of sunflower oil is expected to remain at similar levels to past years, or about 14,000 MT. As mentioned elsewhere in this report, just a few Mexican companies crush and market sunflower oil, which tends to have lower margins than alternative oils.

According to trade sources, crushers are operating at 65-70 percent of capacity. That figure is expected to continue unchanged in MY 2019/20. Industry sources stated that the total capacity of Mexican crushing industry is nearly 10.0 MMT. Most of the major crushers are able to switch some portion of their production easily between soybean and rapeseed oil production, depending on the crushing margins. Recently, the margins have favored soybean crushing, according to industry sources.



Palm oil is not included in the overall oil production numbers in this report, but the industry has grown in the past fifteen years to make palm oil the third largest oil produced in Mexico by volume. This growth has been driven in a large part by government programs encouraging the planting of oil palm in the states of Veracruz, Tabasco, Chiapas, and Campeche. Private sector sources estimate that approximately 237,000 MT of crude palm oil were produced in calendar year 2018, representing a nearly 25 percent increase from the previous year. Approximately 13,000 MT of palm kernel oil was also produced.

However, the private sector is less optimistic regarding the potential for future growth in this sector. The oil palm production incentive programs championed by the previous government have now ended, and the new government has not included oil palm in any of its current support programs. Additionally, senior administration officials have publicly noted concerns regarding the sustainability and environmental impact of palm oil production, casting doubt on whether it will be supported in the future. In fact, the government appears to be encouraging planting of other types of trees (fruit trees and hardwoods) in the same states that had previously been key palm oil production areas.

## **OIL CONSUMPTION**

For MY 2019/20 oil consumption is forecast to increase just one percent, about the same rate as population growth. In more difficult economic times, consumers may shift to cheaper protein sources (e.g., pork to eggs or beans), but typically do not significantly change the amount of their oil consumption. Based on private industry information, current per capita consumption of vegetable oils is approximately 18 kg, of which 12 kg is cooking oil for home use and the remaining 6 kg is HRI and industrial consumption.

Soybean oil continues to dominate the Mexican market, and soybean oil is expected to reach approximately 60 percent market share in MY 2019/20, which is slightly higher than in MY 2018/19. Most oil consumption continues to be accounted for by the food processing and oil blending industries. Industry sources stated that marketing efforts and packaging improvements have continued to promote soybean oil as a retail vegetable oil in its own right. For example, Agydsa, a Guadalajara-based company, has continued bottling pure soybean oil under the name Soyaplus.

Rapeseed oil consumption is expected to increase slightly in MY 2019/20 to 708,000 MT, due to market preferences for this vegetable oil. According to private sources, some Mexican consumers continue transitioning into more health-conscious food choices and demanding edible oils that can provide a healthier alternative when cooking. Cases of high cholesterol and triglycerides are becoming increasingly common in the country, making this new tendency an opportunity for companies that produce edible oils. As a result, companies are now offering edible oils with added vitamins and antioxidants. Some sources stated that some marketing efforts for rapeseed (canola) oil have focused on these healthy benefits, highlighting aspects such as heart health. Contacts pointed out that rapeseed (canola) oil has less saturated fat than any other vegetable oil commonly used in the Mexican market.

Sunflower oil consumption is forecast at 90,000 MT in MY 2019/20, a decrease from the revised estimate for MY 2018/19. Sunflower oil continues to be seen as a healthier alternative to other oil options, which has made it attractive to snack makers in Mexico. This has especially been true in the past several years, when the government has paid greater attention to the obesity epidemic in Mexico

through advertising campaigns, additional taxes on some food products, and front-of-package labeling, among other initiatives. However, sunflower oil continues to be a fairly expensive option for many companies, which has limited demand growth. The relatively high cost of sunflower oil has also limited home use, as Mexico is a price-dominated market.

The MY 2018/19 estimate for sunflower oil consumption has been increased based on updated official data.

Private sector sources estimate palm oil consumption at approximately 676,000 MT in CY 2018 (these figures not included in the oil consumption totals in this report). An additional 69,000 MT of palm kernel oil and 38,000 MT of refined palm oil were also consumed. Palm oil has become increasingly important for the food processing industry in recent years since companies began to remove trans-fats from their recipes. A number of snack food companies have also switched to palm oil for products such as potato chips due to its attractive pricing. However, consistent with the environmental concerns being raised on the production side, private sector sources have suggested that increased consumer awareness of deforestation and other concerns may have an impact on palm oil consumption in the medium to long term.

## **OIL TRADE**

For MY 2019/20, oil imports are forecast to decrease by approximately two percent. Two main factors are driving the slight decline in oil imports:

- Most of the new investments that the main companies have made in the recent years in additional crushing and refining capacity and updates to existing machinery have entered into production. As a result, a higher domestic crushing is expected and the consequent production of oil and meal should cover domestic demand.
- The ongoing slowdown of the Mexican economy should adversely affect the volume of oil imports and the purchasing consumer power.

For MY 2019/20, soybean oil import is forecast to rise moderately to 177,000 MT.

Imports of soybean oil in MY 2019/20 will account for 47 percent of total oil imports, slightly higher than a year earlier. The United States continues to be the main supplier of soybean oil into the Mexican market and, due to lower freight costs, should maintain and potentially increase its share of the import market. As previously noted, price continues to be the overriding factor in marketing vegetable oils and oilseeds in Mexico.

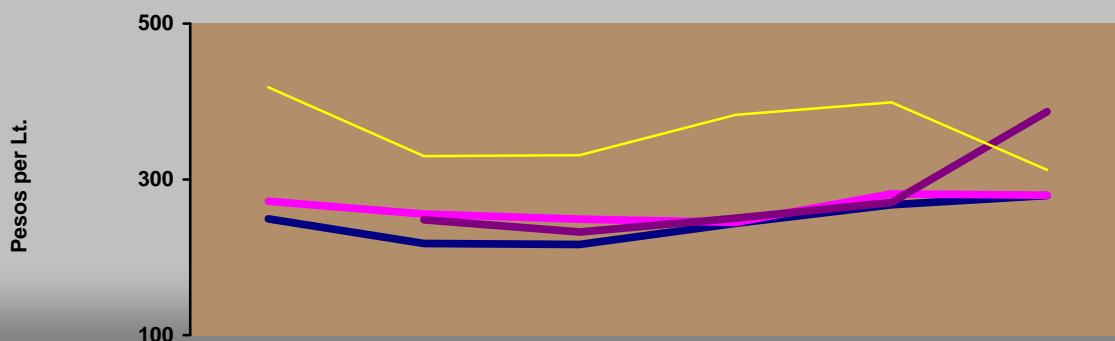
Rapeseed oil imports for MY 2019/20 forecast are expected to remain stable at the same level as in MY 2018/19, due to the expected increase in domestic production.

Imports of sunflower oil are forecast to decrease slightly compared to the revised MY 2018/19 estimate to 90,000 MT. The MY 2018/19 estimate has been increased to 110,000 MT, based on updated official data. The majority of imported sunflower oil is crude oil from Argentina, which is refined in Mexico. Private industry sources note that Argentina had a particularly large sunflower crop that contributed to an increase in such imports during the 2018/20 marketing year.

Mexico does export small volumes of sunflower/safflower oil, mainly to the United States. MY 2019/20 exports are forecast to remain constant at approximately 23,000 MT.

Despite growing palm oil production, Mexico is heavily dependent on imports to meet demand. Approximately 65 percent of crude palm oil consumption (and a higher percentage of palm kernel oil and all refined palm oil) is supplied through imports. In CY 2018, crude palm oil imports were estimated at approximately 439,000 MT.

### Oil Wholesale Prices



	Feb-14	Feb-15	Feb-16	Feb-17	Feb-18	Feb-19
Mixed veg. 1Lt.12 bottle box	249.37	217.66	216.15	243.33	267.50	279.37
Soybean 1Lt.12 bottle box	272.00	255.50	248.75	244.62	281.50	279.75
Safflower 17 lt. Can( *1lt. 12 bottle box)	267.50*	248.00	232.50	250.00	270.00	387.00
Corn	418.00	330.00	331.00	383.00	399.00	312.00

\*1lt.12bottle box

Source: Servicio Nacional de Información de mercados, SNIIM-SE.  
Exchange rate (March 22, 2018) US \$ 1.00 = 18.69 Pesos

Variety	Presentation	February 18	February 19
Mixed vegetables	1lt. 12 bottle box	267.50	279.37
Soybean	1lt. 12 bottle box	281.50	279.75
Corn	1lt. 12 bottle box	399.00	387.00
Safflower	1lt. 12 bottle box	270.00	312.00

Source: Servicio Nacional de Información de mercados, SNIM-SE.  
Exchange rate (March 22, 2019) US \$ 1.00 = 18.69 Pesos

## STOCKS

According to private industry sources, the volume of vegetable oil and oilseed stocks vary depending the location of the main crushing and refinery companies. In general, these sources reiterated there is not a standard or average volume of stocks of oilseeds and vegetable oils that the companies tend to hold. They noted that each company has different stock levels depending on their own company policies and/or requirements.

Ragasa, for example, reportedly keeps two weeks of utilization as stocks of oilseeds or vegetable oils. Ragasa's facilities are located at the north of the country (Nuevo Leon and Tamaulipas), and it primarily imports oilseeds from the United States via train. Agydsa, which has its facilities in Jalisco and Veracruz, holds about 60 days of utilization as stocks. This company imports their oilseed requirements by ship.

In addition, due to the proximity to the United States, which is the main supplier of soybeans and other oilseeds, as well as affordable freight costs, many crushers and vegetable oil companies have decided not to keep significant stocks as they purchase these products on an "as needed" basis.

Lastly, industry sources noted that companies do not regularly hold oilseed meal stocks. Since the main Mexican crushing companies have continued investing in their facilities, they have sufficient capacity to hold as much stocks of oilseeds or vegetable oils as they deem necessary.

## GOVERNMENTAL POLICY AND AGRICULTURAL SUPPORTS

The new presidential administration of Andres Manuel Lopez Obrador is implementing a number of changes to Mexico's agricultural support system. While many of the programs are still being defined, it is clear that the new administration has a much stronger focus on providing supports to poorer small farmers, compared to larger commercial operations. This new focus has generated frustration with medium-sized and large farmers, who have held protests in Sinaloa and Sonora against the lack of support for commercial agriculture.

Despite a focus on self-sufficiency and replacing imports, the new administration has not prioritized oilseed production as a target for government programs. For example, SADER's flagship Guarantee Price program does not cover any oilseed commodities. As such, just a few general programs apply to oilseed producers.

*Production for Wellbeing*

As described in more detail in [MX9002](#), the new Production for Wellbeing program replaces the previous Proagro Productivo program, maintaining a similar structure. Production for Wellbeing is a direct support program for small and medium producers of corn, dry beans, bread wheat, rice, and other grains. Producers registered under the previous Proagro or PIMAF programs will be automatically included in the new Production for Wellbeing system. The support amounts remain very similar to the Proagro amounts:

<b>Stratum</b>	<b>Definition</b>	<b>Allocation per eligible hectare</b>
Small Grower	Registered under Proagro, with up to 5 ha non-irrigated or 0.2 ha irrigated	1,600.00 pesos (84.21 USD)
	Registered under PIMAF, with up to 3 ha	
Medium Grower	Registered under Proagro, with 5-20 ha non-irrigated or 0.2-5 ha irrigated	1,000.00 pesos (52.64 USD)

A total of nine billion pesos (approximately 474 million USD) will be available for this program in 2019, including some payments to settle debts inherited from the previous cycle of the Proagro Productivo program.

#### *Forward Contract Program*

The Forward Contract program (originally described in 2008 GAIN Report [MX8075](#)) was formally renewed via a [Diario Oficial notice](#) on March 21, 2019. The program will continue with essentially the same structure as before. This is a hedging program, which encourages farmers to sign contracts with domestic users of basic grains. Under the new administration, the supports to growers has been further reduced from the previous 75 percent of the coverage cost (i.e., put or call) to 50 percent. This is due to limited funds and a government-wide effort to reduce expenditures. Mexican industrial corn users complained that in 2018, many farmers did not honor the contracts they signed. It is unclear whether contract enforcement will become more stringent in future cycles.

#### *Target Income Program*

Like the Forward Contract program, the Target Income program was formally renewed in the March 21, 2019 [notice](#). This program gives farmers a supplementary payment per ton of grains if the price they received is lower than the target price (for further information on the establishment of this program, please see [MX9001](#). In 2018, the target income prices were increased to the levels in the table below, which remain in effect for 2019 (see [MX8028](#) for additional details):

<b>Commodity</b>	<b>Target Price per Metric Ton</b>
Corn	3,960 pesos

Bread wheat	5,010 pesos
Durum wheat	4,556 pesos
Sorghum	3,564 pesos
Rice	4,380 pesos
Oilseeds (soy, safflower, canola, sunflower)	8,400 pesos
Cotton	25,750 pesos

For additional information regarding the Forward Contract Program, the Target Income Program, and other programs such as supports to small farmers for infrastructure and storage projects, please see the full [Diario Oficial notice](#) and [related forms](#).

**For More Information:**

Visit the FAS headquarters' home page at [www.fas.usda.gov](http://www.fas.usda.gov) for a complete selection of FAS worldwide agricultural reporting.

Other Relevant Reports Submitted by FAS/Mexico

Report Number	Subject	Dated Submitted
<a href="#">MX8013</a>	Economic Uncertainty to Drag on Oilseed Sector Growth   Oilseeds and Products	4/3/2018
<a href="#">MX8011</a>	New Opportunities in the Mexican Livestock Sector	3/9/2018
<a href="#">MX8007</a>	Continued Growth in the Poultry Sector	2/19/2018
<a href="#">MX7047</a>	Mexico's Processing Sector Fuels Demand for Dairy Inputs	10/23/2017
<a href="#">MX7011</a>	Slight Increase Expected in Crushing Despite Decline in Oilseed Production	4/12/2017

**Commodities:**

- Oilseed, Soybean
- Oilseed, Rapeseed
- Oilseed, Sunflowerseed
- Oilseed, Peanut
- Meal, Soybean
- Meal, Rapeseed
- Meal, Sunflowerseed
- Oil, Soybean
- Oil, Rapeseed
- Oil, Sunflowerseed