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Report Highlights:

Mexico sugar production for marketing year (MY) 2021/22 is forecasted slightly lower than MY 2020/21, on continued drought concerns and soil effects in some sugar producing states. However, an increase in planted area is expected due to government cash support to cane producers through the Production for Wellbeing Program. Consumption of both sugar and high fructose corn syrup is forecasted down in MY 2021/22 due to a new front of package labeling law and federal and state government health campaigns that are leading to product reformulation with lower sugar content or replacement with non-caloric sweeteners.

PRODUCTION

Post forecasts MY 2021/22 (October-September) sugar production at 6.15 million metric tons-raw value (MMT-RV), slightly lower than MY 2020/21 due to ongoing drought conditions and poor soil quality resulting in lower cane yields. There is not yet an official forecast from the Secretariat of Agriculture. Planted area is forecasted at 865,000 hectares, harvested area at 783,000 hectares, and national yield at 7.5 tons per hectare. Forecasted increased in planted area is expected due to the federal Production for Wellbeing Program, which offers cash support to some cane producers (more in the Policy section below). Veracruz is the top sugarcane producing state and accounts for more than one-third of national production, followed by the states of Jalisco and San Luis Potosí.

Table 1: Sugar Producing States



The official sugar production estimate from the National Committee for the Sustainable Development of Sugar Cane (CONADESUCA) for MY 2020/21 is 6.42 MMT-RV. However, there is a lag of 85,009 MMT-RV in actual production, mainly due to low field yields caused by droughts and low factory yields due to technical and weather delays at mills. The onset of rains will determine how much time producers have to make up for lost milling capacities. Planted area is currently forecasted at 854,000 hectares and harvested cane at 791,000 hectares.

Table 2: Current Official Estimate vs. Actual Production

Production Variables	MY 2020/21 Estimate	MY 2020/21 Actual*	Change
Industrialized area (ha)	548,320	538,263	-1.8%
Harvested cane (t)	38,590,612	38,104,562	-1.3%
Field yield (t/ha)	70.38	70.79	0.6%

Sugar production (t)	4,256,924	4,176,727	-1.9%
Factory yield (%)	11.03	10.96	-0.6%

*October 1, 2020 through March 27, 2021

Source: CONADESUCA

The Post estimate for MY 2020/21 production is 6.22 MTRV, four percent lower than the official estimate, due to lingering effects from a historical drought in MY 2019/20 and ongoing pest issues. However, production is forecasted to rebound ten percent from the historically low production year in MY 2019/20.

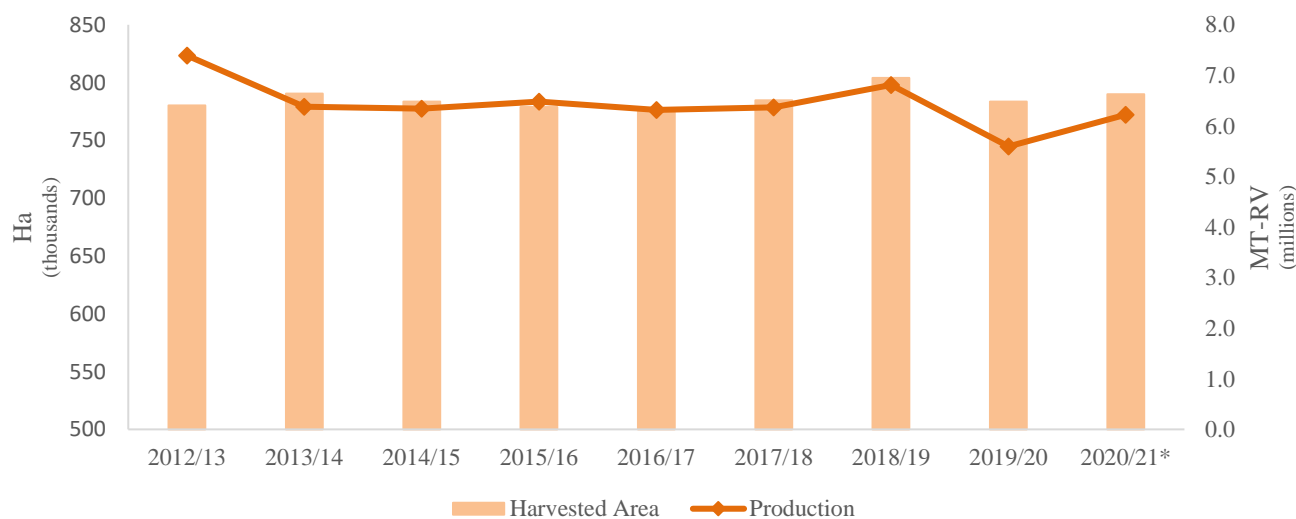
Table 3: Production by State MY 2020/21

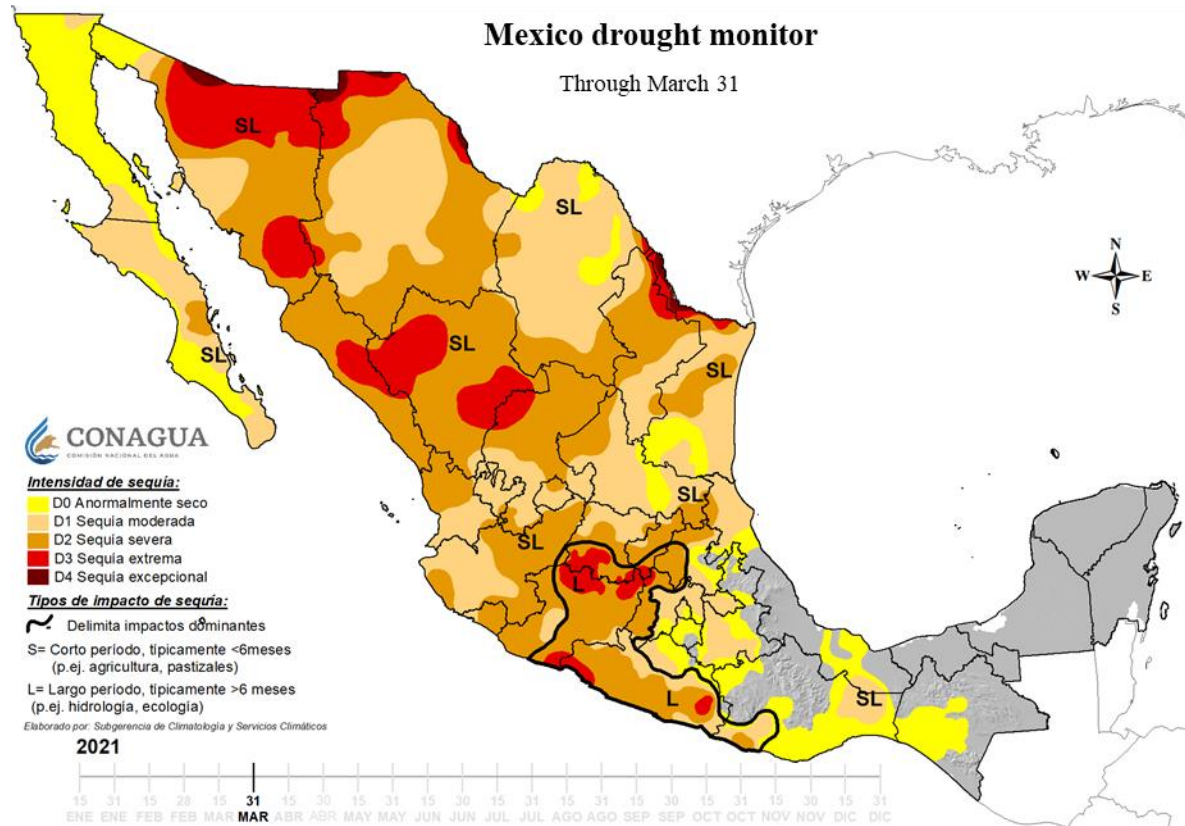
State	Area harvested (ha)	Cane Harvested (mt)	Field yield (mt/ha)	Sugar production (mt)	Factory yield (%)
Veracruz	226,823	15,084,839	66.50	1,587,933	10.53
Jalisco	56,380	5,143,482	91.23	566,105	11.01
San Luis Potosí	69,616	3,944,951	56.67	475,526	12.05
Chiapas	22,705	2,232,423	98.32	254,244	11.39
Oaxaca	36,182	2,231,528	61.68	231,134	10.36
Others	126,557	9,467,340	74.81	1,061,785	11.22
Total	538,263	38,104,562	70.79	4,176,727	10.96

*October 1 through March 27, 2021

Source: CONADESUCA

Table 4: Harvested Area vs. Production





During MY 2020/21, a large part of the country has experienced drought or rain deficit conditions, including four sugar-producing states: Campeche, Quintana Roo, Tabasco, and Yucatán. Forty-four percent of Veracruz is under drought conditions, with the remainder suffering from mild water deficits.

Table 5: Drought by Sugar Cane State (%) Through March 31, 2021

State	No Affect	D0	D1	D2	D3	D4
Campeche	100.0	0.0	0.0	0.0	0.0	0.0
Colima	2.7	0.0	15.0	82.3	0.0	0.0
Chiapas	73.0	27.0	0.0	0.0	0.0	0.0
Jalisco	0.0	0.0	45.7	54.3	0.0	0.0
Michoacán de Ocampo	0.0	0.0	9.8	72.2	18.0	0.0
Morelos	25.7	71.2	3.1	0.0	0.0	0.0
Nayarit	0.8	0.0	45.6	53.6	0.0	0.0
Oaxaca	40.5	42.2	15.3	2.0	0.0	0.0
Puebla	36.2	33.0	30.8	0.0	0.0	0.0
Quintana Roo	100.0	0.0	0.0	0.0	0.0	0.0
San Luis Potosí	0.0	12.0	61.3	26.7	0.0	0.0
Sinaloa	0.0	0.0	0.1	81.8	18.1	0.0

Tabasco	100.0	0.0	0.0	0.0	0.0	0.0
Tamaulipas	0.0	18.4	51.4	21.4	5.4	3.4
Veracruz	55.6	20.4	21.0	3.0	0.0	0.0

Organic Sugar

For MY 2020/21, approximately 14,000 metric tons of organic sugar were produced, of which 12,000 tons were certified by USDA for export to the United States. Organic sugar is predominately produced in Sinaloa. Contacts indicate organic sugar consumption is growing due to consumer preferences for sustainable or organic products.

Industry and Labor

More than 180,000 sugarcane producers employ a large number of day laborers, cutters, transporters, and others among the supply chain. Growers are organized within two major unions that represent over 95 percent of all cane growers. According to the sugarcane leaders, sugarcane cutters are paid between 60 or 70 pesos per ton cut (U.S. \$3) and can earn up to 3,000 pesos a week. However, the difficult physical strain on workers and higher pay in other commodities have reduced available labor.

TRADE

The MY 2021/22 Post export forecast is 1.69 MMT-RV, 28 percent higher than the previous year on higher beginning stocks. Final exports will depend significantly on U.S. sugar needs, as the United States is Mexico's top export market.

Since 2014, sugar trade between the United States and Mexico is managed under the U.S. - Mexico Sugar Suspension Agreements. The agreements suspended antidumping (A.D.) and countervailing duty (CVD) investigations of imports of sugar from Mexico and are reviewed and renewed as determined by the U.S. Department of Commerce every five years. The CVD agreement contains provisions to prevent an oversupply of sugar in the U.S. market, with export limits (or quotas) calculated on U.S. sugar needs as determined by the United States Department of Agriculture and published in the World Agriculture Supply and Demand reports. Mexico's export limit is set at 100 percent of U.S. needs after accounting for U.S. production and imports from tariff rate quota countries (per World Trade Organization and USMCA commitments). The A.D. agreement establishes reference prices for all types of sugar exported by Mexico.

The Post export forecast for MY 2020/21 is 1.319 MMT-RV, three percent higher than the previous MY due to increased production. The current suspension agreement quota is 841,795 MT-RV, which Mexico is expected to fulfill. As of March 28, 299,999 MT-RV have been exported to the United States, and 108,183 MT-RV to other world markets.

**Table 6: Mexican Sugar Exports
MY 2020/21 & MY 2019/20**

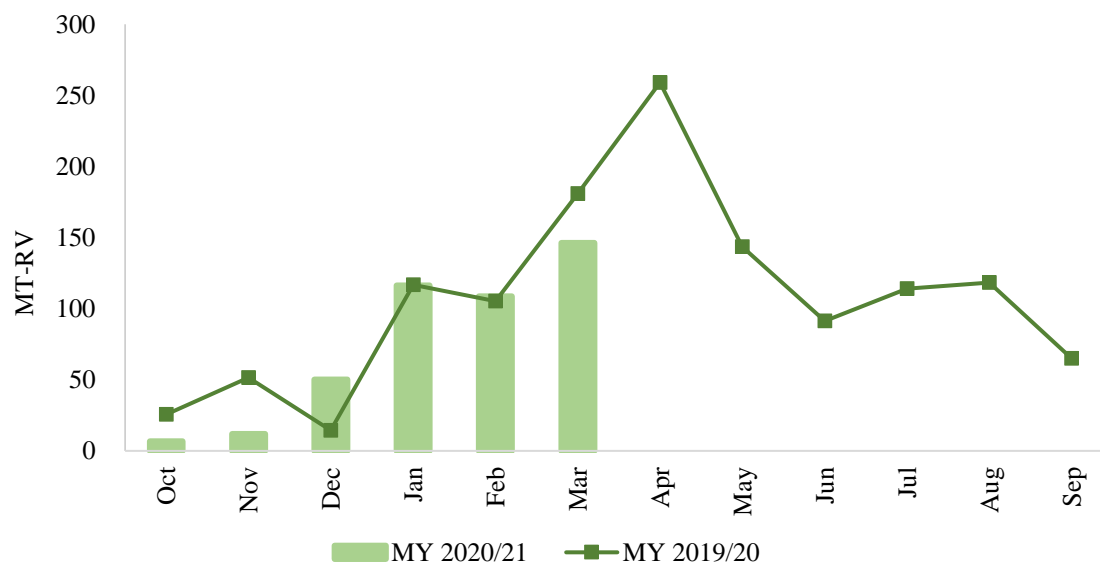


Table 7: Exports to the United States (MT-RV)

TM-RV	Raw	Refined	Total
Quota	589,256	252,538	841,795
Exported *	215,989	84,010	299,999

*Through March 28, 2021

**Table 8: Exports to Other Markets
(MT-RV)**

Country	MY 2019/20	MY 2020/21*
Morocco	6,901	63,123
Russia	0	33,745
Benin	0	4,134
Cameroon	0	2,480
Canada	4,115	2,125
Madagascar	1,855	1,102
Others	23,892	1,473
Total	36,763	108,183

*October 1 through March 28, 2021

Source: CONADESUCA

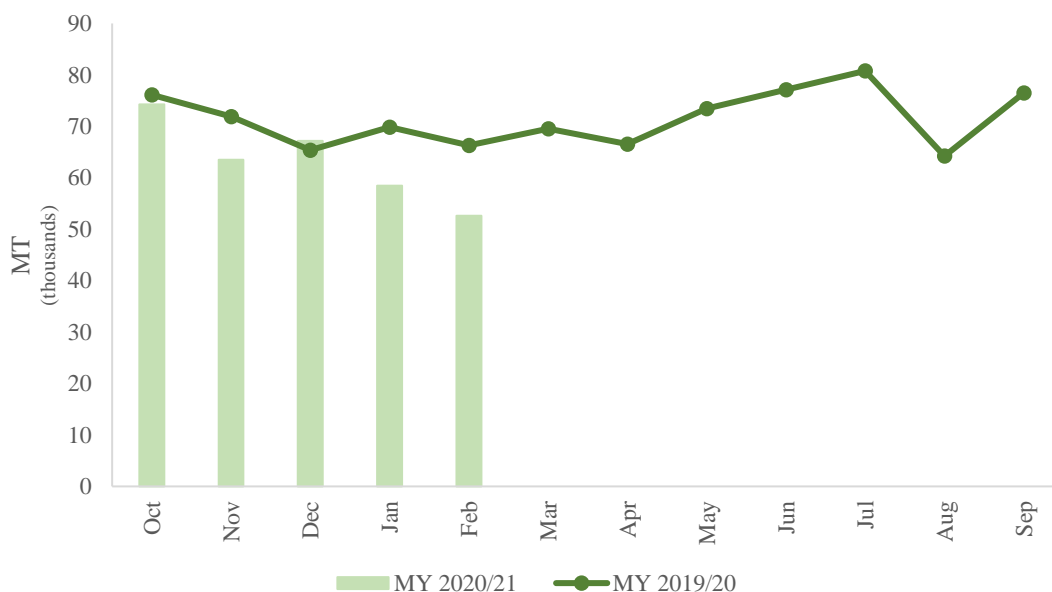
The Post forecast for MY 2021/22 imports is 21,000 MT-RV, 16 percent lower than the previous MY on sufficient domestic production. The Post estimate for MY 2020/21 imports is 25,000 MT-RV. As of March 28, Mexico has imported 17,750 MT-RV. Mexico typically produces enough sugar to cover domestic needs and only imports small amounts of specialty sugars not produced in-country. The

Mexican Sugar Chamber has reported on alleged supplies entering Mexico from South America. As the Ministry of Economy has not opened any quotas for import, the sugar is being labeled as contraband.

High Fructose Corn Syrup (HFCS)

Post forecast for MY 2021/22 HFCS imports is at 780,000 MT dry basis due to the expected reformulation of sugar and HFCS containing products. The Post forecast for MY 2020/21 imports is 800,000 MT dry basis, down from 1.38 MMT in MY 2019/20. Mexico produces its remaining HFCS needs not supplied from the United States. According to CONADESUCA, as of February 28, HFCS imports are down ten percent from the previous MY due to companies reformulating products (more information below in the consumption section). Mexican companies that produce and import HFCS are Ingredion, Almidones Mexicanos, and Cargill México.

**Table 9: HFCS Imports MY 2020/21 vs. 2019/20
(dry weight)**



CONSUMPTION

The Post consumption forecast for MY 2021/22 is 4.56 MMT-RV, with human domestic consumption at 4.19 MMT-RV. Human domestic consumption does not include sugar sold to national companies as an input for a final product that will be exported. Sugar consumption has been gradually decreasing in Mexico due to several factors, including a weak economy and high inflation (due mainly to effects from the COVID-19 pandemic), federal and state government actions to curb the consumption of high-calorie / high sugar-containing food and drink products, and a new front of pack labeling law.

COVID-19 has changed consumer perceptions of sugar and sugar containing products. Campaigns against sugar consumption have accelerated over the past year, as the Government of Mexico has blamed high rates of obesity and diabetes in the country for the high levels of COVID-19 infections and

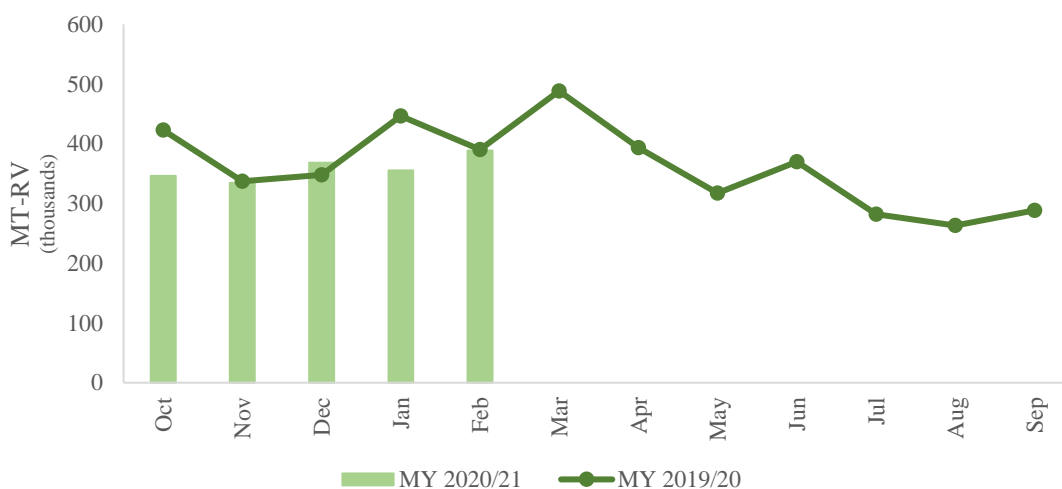
death. As a result, the government has embarked on a ‘healthy eating’ campaign, encouraging the consumption of locally produced fruits and vegetables while avoiding sugar-containing products, snacks, and drinks. Additionally, the new front of pack octagonal warning labels for sugar, sodium, and fats is encouraging companies to reformulate products with fewer sweeteners or switch to non-caloric sweeteners.

The Post sugar consumption estimate for MY 2020/21 is 4.57 MMT-RV, three percent lower than the previous MY due to the aforementioned campaigns against sugar, product reformulation, and new consumer habits.

Sugar use under the "other disappearance" category is mainly for the Manufacturing Industry, Maquiladora and Export Services Program (IMMEX). The IMMEX program allows for the temporary importation of goods necessary for industrial preparations or transformations of imported products into a re-export product. It is financially beneficial for companies as they are not liable for some taxes. However, the IMMEX market is challenging to expand because companies require authorization from the Ministry of the Economy to participate.

The Post forecast for MY 2021/22 sugar use under IMMEX is at 371,000 MT-RV. The Post forecast for MY 2020/21 is 371,000 MT-RV, six percent higher than the previous marketing year, due to Mexico's lower export quota.

Table 10: Human Domestic Consumption MY 2020/21 & MY 2019/20



POLICY

Production for Wellbeing Program

In MY 2020/21, the Government of Mexico gave economic support of \$7,300 pesos (U.S. \$340) total per sugar cane producer (up to 20 hectares) through the "Production for Wellbeing" program, aimed to strengthen the income of producer families and to sustain and promote production. The support was conditioned on producers investing in actions that would improve orchards' productivity, and funds had

to be dedicated to the renewal of plants, fertilizer application, investment in irrigation or other water management systems, phytosanitary management, and agronomic practices. The program is expected to continue indefinitely.

STOCKS

The post forecast for MY 2021/22 ending stocks is 1.18 MT, six percent lower than the previous year but above optimal levels. The Post forecast for MY 2020/21 ending stocks is 1.26 MT-RV, 36 percent higher than the last MY on lower U.S. sugar needs.

SUGAR PRICES

The Secretariat of Economy through the National Information and Market Integration System (SNIIM) and CONADESUCA through the Information System of the National Sugar Market (SIMAN) report monthly sugar prices of sugar delivered to local markets in various Mexican cities and from different mills. As of April 5, SNIIM has provided intermittent information from the country's different markets due to the ongoing COVID-19 pandemic and sanitary measures. However, unofficial reports have domestic prices rising in recent weeks due to pressures to comply with export commitments over sales to the domestic market.

Sales data from sugar mills is self-reported and collected in the System of Information and Integration of the Sugar Balance (SIIBA) and managed by CONADESUCA. To ensure the accuracy of the information, sales data is also collected through audits of physical inventories and commercial operations four times a year. Since the beginning of March 2021, futures prices for contract #16 have reached two-year highs, currently at 31.25 U.S. cents / lb.

Table 11: Mexico: Average Wholesale Sugar Prices in Mexico City (CIF Basis) in Pesos per 50 Kilograms – Bulk

Month	Standard			Refined		
	2019	2020	2021	2019	2020	2021
January	579.5	725.0	NA	687.8	879.2	NA
February	740.5	730.3	845	796.3	874.4	1,021.6
March	702.5	809.0	827.1	789.6	918.6	970.93
April*	760.2	893.1	818.5	829.7	929.6	946.67
May	762.3	885.2	-	837.8	912.6	-
June	758.3	NA	-	840.6	NA	-
July	755.2	934.0	-	822.0	1,026.7	-
August	730.6	929.4	-	795.8	1,025.8	-
September	711.3	935.0	-	817.1	1,037.7	-
October	778.1	917.3	-	847.6	1,055.2	-

November	739.1	875.8	-	840.3	1,051.3	-
December	734.0	857.0	-	882.0	1,047.8	-

*Through the third week of April

Table 12: Mexico Centrifugal Sugar PS&D

Sugar, Centrifugal	2019/20			2020/21			2021/22		
Market Begin Year	Oct-19			Oct-20			Oct-21		
Mexico	USDA Official	Old Post	New Post	USDA Official	Old Post	New Post	USDA Official	Old Post	New Post
Beginning Stocks	1,239	1,239	1,239	910	909	909	-	-	1,265
Beet Sugar Production	-	-	-	-	-	-	-	-	-
Cane Sugar Production	5,596	5,595	5,595	6,307	6,254	6,222	-	-	6,158
Total Sugar Production	5,596	5,595	5,595	6,307	6,254	6,222	-	-	6,158
Raw Imports	-	-	-	-	-	-	-	-	-
Refined Imp. (Raw Val)	82	58	58	91	21	25	-	-	21
Total Imports	82	58	58	91	21	25	-	-	21
Total Supply	6,917	6,892	6,892	7,308	7,184	7,156	-	-	7,444
Raw Exports	845	796	1,031	1,209	395	1,066	-	-	1,422
Refined Exp. (Raw Val)	440	490	255	350	1,041	253	-	-	270
Total Exports	1,285	1,286	1,286	1,559	1,436	1,319	-	-	1,692
Human Dom. Consumption	4,349	4,347	4,347	4,318	4,235	4,201	-	-	4,192
Other Disappearance	373	350	350	440	350	371	-	-	371
Total Use	4,722	4,697	4,697	4,758	4,585	4,572	-	-	4,563
Ending Stocks	910	909	909	991	1,163	1,265	-	-	1,189
Total Distribution	6,917	6,892	6,892	7,308	7,184	7,156	-	-	7,444
TS=TD	-	-	-	-	-	-	-	-	-

Sugar Cane for Centrifugal	2019/20		2020/21		2021/22	
Market Begin Year	Oct-19		Oct-20		Oct-21	
Mexico	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	845	845	848	854	-	865
Area Harvested	783	783	791	791	-	783
Production	49,274	49,274	55,100	53,923	-	53,000
Total Supply	49,274	49,274	55,100	53,923	-	53,000
Utilization for Sugar	49,274	49,274	55,100	53,923	-	53,000
Utilization for Alcohol	-	-	-	-	-	-
Total Utilization	49,274	49,274	55,100	53,923	-	53,000

(1000 HA), (1000 MT)

Attachments:

No Attachments