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## **Mexico**

### **Sugar Semi-annual**

#### **Good weather boosts production and export potential**

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**Report Highlights:**

The Post/New marketing year (MY) 2012/13 (October/September) sugar production forecast is 5.6 million metric tons – raw value (MMT-RV) as better weather conditions and good crop management techniques are expected. The Post/New sugar production estimate for MY 2011/12 was revised slightly upward to 5.35 MMT-RV. High fructose corn syrup (HFCS) production for MY 2011/12 is calculated at 466,054 MT dry basis, and the industry believes that MY2012/13 will be similar as the industry members indicate that there is no additional HFCS manufacturing capacity being built or expanded in Mexico. The Post/New sugar export forecast for MY 2012/13 was revised upward to 1.1 MMT-RV.

**Commodities:**

Sugar Cane for Centrifugal  
 Sugar, Centrifugal

**PRODUCTION**

**SUGAR**

The National Committee for the Sustainable Development of Sugar Cane (CONADESUCA) published a preliminary sugar production estimate for [MY 2012/13](#), where sugar production could reach 5.568 MMT-RV (5.253 MMT Tel Quel). However, these estimates are still not the final official estimates.

The President of the Sugar Chamber in Mexico declared recently that the industry is expecting higher sugar production, reaching nearly 5.830 MMT-RV (5.500 MMT-Tel Quel) due to good rainfall mainly in the Gulf coast and the southeast regions. This office, nevertheless, revised the Post/New data for MY 2012/13 to about 5.6 MMT-RV of sugar production until there is more available information. Final production will depend on timely maintenance of sugar mills, appropriate cultivation practices, decent weather throughout the growing season, and normal harvest conditions. The Post/New sugar production estimate for MY 2011/12 was revised upward from previous estimates, based on CONADESUCA’s data. However, in general, sugar production was lower compared to MY 2010/11 due to the dry weather that affected northern states these past two years. Sugar cane did not develop as well due to lack of rainfall in Tamaulipas, Sinaloa and northern Veracruz, resulting in lower cane yields and sugar content in those areas.

The following table indicates CONADESUCA’s preliminary estimates for sugar production for MY 2012/13 compared to actual data for MY 2011/12 production cycle. For additional information on production estimates at the regional level, consult their website, listed in the table below.

Table 1. Mexico -Sugar Production –Estimate 2012/13 vs. Real 2011/12						
	Cycle	Harvested area (Has)	Crushed cane (MT)	Field yield MT/Ha	<b>Sugar production (MT)</b>	Mill yield %
Total	Real 2011/12 (a)	703,761	46,231,229	65,69	<b>5,048,469</b>	10.92
Domestic Production	Estimated 2012/13 (b)	687,287	46,641,858	67,86	<b>5,253,277</b>	11.36
	Var. (b-a)	-16,474	410,629	2.17	204,808	0.34

Source: CONADESUCA [Estimates](#) for 2012/13

A total of 54 mills were actively working during this cycle. The Post/New sugar production estimate for MY2010/11 remains unchanged at 5.49 MMT-RV.

The planted and harvested area forecast for sugar cane for MY 2012/13 was revised downward from previous estimates based on information from CONADESUCA, however these estimates are not the official final estimates. Mills, currently facing lower prices and expecting better yields and weather, are providing fewer incentives to cane growers to expand production acreage. Consequently, area harvested is expected to be close to 690,000 hectares and yields are expected to be higher or about 68

MT/Ha. According to the Committee, the regions of the Gulf of Mexico (Veracruz and eastern Oaxaca) have received more rainfall than the Northwest region (Sinaloa and Nayarit). Area planted and harvested for MY 2011/12 was revised downward based on official sources. As previously reported, dry weather affected overall cane yields resulting in a yield of about 65.6 MT/Ha for MY 2011/12.

Sugar cane production was updated for MY2010/11, also based on official sources. As previously reported, virtually all sugar cane goes to the production of centrifugal sugar. Mills operate between November and June to coincide with the cane harvest.

## **Phytosanitary Issues**

In 2010, the Plant Health Directorate from SAGARPA began operating the Phytosanitary Surveillance Program, establishing a monitoring network to detect on a timely basis, the presence and entrance of pests of quarantine importance, including [orange rust](#) (*Puccinia kuehnii* (Krüger)), a fungal pest that can cause substantial yield losses. Epidemiological surveillance of orange rust is operating in the states of Veracruz, Morelos, Chiapas and Quintana Roo, as these states are at risk for the establishment of the pathogen. Monitoring of this pest is focused mainly on varieties that are more susceptible, such as CP 72-2086 and MEX 79-431. Distribution in Mexico of this pest has been reported in the municipalities of Villa Comatitlán, Mazatán, Huehuetán, Huixtla and Tuzantan in the state of Chiapas, Sergio B. Homes, Othon P. White, in the state of Quintana Roo and Ursulo Galvan for the state of Veracruz.

Recently, orange rust has been in the State of Tabasco at the municipalities of Cardenas, Huimanguillo and Tenosique. Plant Health authorities have established a monitoring system in the area. Plant health authorities publish bulletins with the current situation of the [pest](#).

## **HFCS**

Despite high global corn prices, the Mexican high fructose corn syrup (HFCS) industry believes it will continue producing HFCS for MY 2012/13 at almost the same levels as in MY 2011/12.

According to industry sources, HFCS production has ranged between 465,000 MT and 467,000 MT dry basis. MY 2011/12 production is calculated at 466,054 MT dry basis, and the industry believes that MY2012/13 will be similar as the industry members indicate that there is no additional HFCS manufacturing capacity being built or expanded in Mexico.

Sources report that as long as HFCS prices remain competitive, it is easier and more financially prudent at this time to import the remainder of the HFCS demand. The Mexican HFCS industry produces fructose with domestic and imported U.S. yellow corn. According to IDAQUIM, the industry group that represents HFCS producers, this industry consumes about two million tons of yellow corn of which 80 to 90 percent is imported. The United States will remain the main supplier of corn to Mexico.

## **SUGAR AND HFCS CONSUMPTION**

The sugar industry expects sugar consumption to continue a downward trend for MY 2012/13 as substitution between sugar and HFCS continues, but the pace of this substitution will depend on HFCS and local sugar prices. Current downward pricing trends in the domestic market could slightly increase sugar consumption. Therefore, MY 2012/13 Post/New forecast for domestic sugar consumption was revised upward 1.8 percent from the previous estimate. The Post/New domestic sugar consumption estimate for MY 2011/12 remains unchanged.

HFCS displaced sugar consumption in several industries including soda bottling, the largest user of HFCS. HFCS consumption increased during MY 2011/12 close to 1.7 MMT dry basis, compared to 1.635 MMT dry basis for MY 2010/11, due to greater substitution between sugar and HFCS. HFCS consumption for MY 2012/13 is expected to be close to that of MY 2011/12 as the bottling industry's capacity to substitute for sugar is not growing as fast as originally estimated.

## **TRADE**

The Post/New sugar export forecast for MY 2012/13 was revised upward from the USDA/Official forecast to 1.1 MMT-RV. This number is still tentative and will tend to change depending on production and the extent of substitution between sugar and alternative domestic and imported sweeteners (HFCS). These are the two major factors influencing local supply and, consequently, local price—currently the biggest influence on export decisions. The Post/New sugar export estimates for MY 2011/12 were revised upward to 950,000 MT-RV based on current export trends. U.S. Census data indicates that Mexican exports to the U.S. through July 2012 were about 886,047 MT-RV. Export levels were lower compared to MY 2010/11 due the influence of falling sugar prices in the U.S. and good local refined sugar prices. Sugar export estimates for MY 2010/11 remain unchanged.

The Post/New sugar import forecast for MY 2012/13 was revised upward to about 200,000 MT-RV. A large portion of these imports could be used to cover the needs of the Mexican Sugar Re-export Program industries (IMMEX). The MY 2011/12 sugar import estimate remains unchanged from the previous USDA/Official forecast. As reported, SE decided to establish another TRQ for 2012 for up to 250,000 MT, if or when SE identified a need to import sugar to ensure domestic supplies. The announcement was published in the [\*Diario Oficial\*](#) (Federal Register) on May 4, 2012. Based on the preliminary updated estimates of sugar production for MY 2011/12, SE had decided that the domestic supply might become insufficient to meet demand by the later part of this marketing year. To date, this TRQ has not been used and the sugar industry believes it will not be needed. Post did not include this quota in the import estimates table. Sugar imports for MY 2010/11 remain unchanged.

Sugar use under the “other disappearance” category in Table 1, is mainly for the Mexican re-export program (IMMEX)<sup>1</sup>. The forecast for MY 2012/13 for sugar use under IMMEX was revised upward very similar to MY 2011/12 levels, as almost the same industries will be importing sugar for the processing of their products. MY 2011/12 sugar use for IMMEX industries was revised upward based on official information to 330,000 MT-RV of which close to 200,000 MT-RV were 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. Although this report does not consider these products when calculating sugar exports, the Government of Mexico classifies the sugar containing products sold under the IMMEX program as exports of sugar.

## **HFCS Imports**

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<sup>1</sup> *Decree for the Development of the Manufacturing, Maquila and Export Services Industry.*

The HFCS import forecast for MY2012/13 is expected to increase about 5 percent over MY 2011/12, although the sugar industry believes imports could be higher. HFCS imports for MY 2011/12 are expected to be about 1.20 MMT dry basis as long as the soft-drink bottling industry continues to benefit from the difference in price between sugar and HFCS. The official CONADESUCA estimate for imported HFCS is 1.18 MMT dry basis for MY 2010/11.

## STOCKS

The Post/New sugar ending stock forecast for MY2012/13 was revised upward to 892,000 MT-RV. This is approximately two months of domestic consumption. Sugar ending stocks for MY 2011/12 are likely to end at 954 MT-RV depending on final exports. Stocks for MY 2010/11 remain unchanged.

## POLICY

The government published in the [Diario Oficial](#) (Federal Register) on July 23, 2012 an agreement to release nine sugar mills from Federal ownership and control in order to sell them by public tender. The mills will be sold in one package. The nine mills announced in this publication are the last to be divested by the government. Since expropriation, these mills have been owned and administered by FEESA (Fund of Expropriated Companies from the Sugar Sector) and have generally been responsible for 20-30 percent of Mexico’s annual sugar production. For further information consult Report [MX 2057](#) “Mexico Takes Steps to Privatize State-Owned Sugar Mills”.

## INFORMATION RESOURCES

The National Committee for the Sugar Cane Agroindustry ([CONADESUCA](#))

The National Chamber for the Sugar and Alcohol Industries ([CNIAA](#))

The National Service of Market Information ([SNIIM-ECONOMIA](#))

## STATISTICAL TABLES

**Table 1. Mexico: Centrifugal Sugar PS&D**

Sugar, Centrifugal Mexico	2010/2011		2011/2012		2012/2013	
	Market Year Begin: Oct 2010		Market Year Begin: Oct 2011		Market Year Begin: Oct 2012	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Beginning Stocks	973	973	806	806	848	954
Beet Sugar Production	0	0	0	0	0	0
Cane Sugar Production	5,495	5,495	5,194	5,351	5,448	5,618
Total Sugar Production	5,495	5,495	5,194	5,351	5,448	5,618
Raw Imports	0	0	0	0	0	0
Refined Imp.(Raw Val)	307	307	405	405	192	200
Total Imports	307	307	405	405	192	200
Total Supply	6,775	6,775	6,405	6,562	6,488	6,772
Raw Exports	0	0	0	0	0	0
Refined Exp.(Raw Val)	1,558	1,558	911	950	1,024	1,150

<b>Total Exports</b>	1,558	1,558	911	950	1,024	1,150
<b>Human Dom. Consumption</b>	4,187	4,187	4,328	4,328	4,321	4,400
<b>Other Disappearance</b>	224	224	318	330	300	330
<b>Total Use</b>	4,411	4,411	4,646	4,658	4,621	4,730
<b>Ending Stocks</b>	806	806	848	954	843	892
<b>Total Distribution</b>	6,775	6,775	6,405	6,562	6,488	6,772
1000 MT						

**Table 2. Mexico: Sugar Cane for Centrifugal PS&D**

Sugar Cane for Centrifugal Mexico	2010/2011		2011/2012		2012/2013	
	Market Year Begin: Nov 2010		Market Year Begin: Nov 2011		Market Year Begin: Nov 2012	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
<b>Area Planted</b>	759	759	760	720	762	720
<b>Area Harvested</b>	673	673	706	704	718	690
<b>Production</b>	44,092	44,131	45,856	462,321	45,900	46,400
<b>Total Supply</b>	44,092	44,131	45,856	462,321	45,900	46,400
<b>Utilization for Sugar</b>	44,092	44,131	45,856	462,321	45,900	46,400
<b>Utilizatn for Alcohol</b>	0	0	0	0	0	0
<b>Total Utilization</b>	44,092	44,131	45,856	462,321	45,900	46,400
1000 HA, 1000 MT						

**Table 3. Mexico: Average Wholesale Sugar Prices in Mexico City (CIF Basis)**

Month	MX Pesos per 50 Kilograms - Bulk					
	Standard			Refined		
	2011	2012	Percent Change	2011	2012	Percent Change
January	505.63	585.30	15.75	569.59	693.67	21.78
February	497.38	555.58	11.70	566.67	664.33	17.23
March	509.73	523.88	2.77	563.66	622.50	10.43
April	517.79	516.97	(0.15)	566.25	611.92	8.06
May	535.27	566.61	5.85	578.33	666.67	15.27
June	536.17	513.06	(4.31)	581.67	613.33	5.44
July	560.50	490.57	(12.47)	603.34	604.53	0.19
August	624.77	447.78	(28.32)	661.33	582.08	(11.98)
September	637.50	416.21*	(34.70)	678.25	543.75*	(19.83)
October	718.13	N/A	N/A	739.17	N/A	N/A

November	686.17	N/A	N/A	729.20	N/A	N/A
December	621.83	N/A	N/A	710.00	N/A	N/A

Source: Servicio Nacional de Información de Mercados [SNIIM-ECONOMIA](#)  
\*Through September 25, 2012

**Table 4. Mexico: Monthly Exchange Rate Averages for 2009-2012**  
MX Pesos per U.S. \$1.00

	2009	2010	2011	2012
<b>January</b>	13.15	12.80	12.13	13.46
<b>February</b>	14.55	12.95	12.06	12.79
<b>March</b>	14.71	12.59	12.00	12.75
<b>April</b>	13.41	12.23	11.73	13.05
<b>May</b>	13.19	12.71	11.64	13.60
<b>June</b>	13.47	12.72	11.80	13.94
<b>July</b>	13.36	12.65	11.67	13.37
<b>August</b>	13.00	13.15	12.22	13.18
<b>September</b>	13.41	12.84	12.97	13.13*
<b>October</b>	13.24	12.44	13.49	
<b>November</b>	13.12	12.33	13.67	
<b>December</b>	12.85	12.39	13.73	
<b>Annual Avg</b>	<b>12.33</b>	<b>12.65</b>	<b>12.42</b>	<b>13.25</b>

Source: Mexican Federal Register  
Note: Monthly rates are averages of daily exchange rates from the Banco de Mexico.  
\*As of 1<sup>st</sup>. week of September 2012

**FAS/Mexico Web Site:** We are available at [www.mexico-usda.com](http://www.mexico-usda.com) or 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.

**FAS/Mexico YouTube Channel:** Catch the latest videos of FAS Mexico at work <http://www.youtube.com/user/ATOMexicoCity>

**Useful Mexican Web Sites:** Mexico's equivalent of the U.S. Department of Agriculture (SAGARPA) can be found at [www.sagarpa.gob.mx](http://www.sagarpa.gob.mx), the equivalent of the U.S. Department of Commerce (SE) can be found at [www.economia.gob.mx](http://www.economia.gob.mx), and the equivalent of the U.S. Food and Drug Administration (SALUD) can be found at [www.salud.gob.mx](http://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.

**Other Relevant Reports Submitted by FAS/Mexico:**

Report Number	Subject	Date Submitted
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<a href="#">MX2057</a>	Mexico Takes Steps to Privatize State-Owned Sugar Mills	08/01/2012
<a href="#">MX2019</a>	2012 Sugar Annual.- Production and Exports Forecast to Rise Next Year	04/10/2012
<a href="#">MX2002</a>	Mexico Rolls Out Electronic Sugar Marketing Platform	01/09/2012
<a href="#">MX1093</a>	Sugar Included in Mexico-Central America FTA	12/07/2011
<a href="#">MX1081</a>	Mexican Sugar Reference Price Up Slightly	11/01/2011