



USDA Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Template Version 2.09

Required Report - public distribution

Date: 3/28/2007

GAIN Report Number: MX7024

Mexico

Grain and Feed

Annual Report

2007

Approved by:

Suzanne E. Heinen
U.S. Embassy Mexico City

Prepared by:

Benjamin Juarez, Salvador Trejo, and Jeff Nawn

Report Highlights:

Mexico's total imports of grain and feed will likely increase in MY 2007/08, though at a more measured pace than the previous years, as the impact of higher international grain prices is being felt by the Mexican livestock production sector. High corn prices will lead many sorghum producers to switch to corn production, as other grain production levels will remain roughly the same as the last several years. Overall wheat production is expected to increase marginally as a result of a return to higher average yields, fueled by improved inputs and sufficient water availability in wheat producing regions in the northwest and central plateau. The removal of tariffs on U.S. rice to Mexico is expected to contribute to the anticipated increase in rice exports. Rice output for MY 2007/08 is forecast to increase slightly from the previous year's estimate of 181,000 MT (milled), due to incentives provided through government support programs.

Includes PSD Changes: Yes
Includes Trade Matrix: Yes
Annual Report
Mexico [MX1]
[MX]

Table of Contents

SECTION I. SITUATION AND OUTLOOK	3
SECTION II. STATISTICAL TABLES	4
PS&D CORN.....	4
PS&D SORGHUM	5
PS&D DRY BEANS	5
PS&D WHEAT	6
PS&D RICE, MILLED.....	6
SECTION III. NARRATIVE ON SUPPLY, DEMAND, POLICY & MARKETING	7
CORN.....	7
Production.....	7
Consumption	10
Trade.....	10
Stocks	12
Policy	12
SORGHUM	13
Production.....	13
Consumption	14
Trade.....	15
Stocks	15
BEANS, DRY EDIBLE	15
Production.....	15
Production Policy	17
Consumption	18
Trade.....	18
Stocks	18
Policy	18
WHEAT	19
Production.....	19
Consumption	19
Trade.....	19
Stocks	20
Marketing.....	20
RICE	20
Production.....	20
Consumption	21
Trade.....	21
Stocks	21
Policy	21
Marketing.....	21

SECTION I. SITUATION AND OUTLOOK

Corn: Mexican corn production for MY 2007/08 (Oct-Sep) is forecast at 23.2 MMT, roughly a five percent increase over MY 2006/2007. This increase is primarily attributable to a five percent increase in harvested area, not to higher yields. Various industry and Government of Mexico (GOM) sources have indicated that Mexican farmers are expected to boost plantings in the coming year in response to higher corn prices. The total production and harvested area estimates for MY 2005/06 and 2006/07 have remained unchanged.

The MY 2007/2008 corn import estimate is significantly higher than the MY 2006/2007 estimate. However, cracked corn imports are not reflected in the corn PSD table. Once these cracked corn import volumes are factored into the total import figure, corn imports in 2007/08 register an estimated increase of only 2 percent over the revised estimate for MY 2006/07 (in MY 2006/07 Mexico imported 8.0 MMT of corn and 2.0 MMT of cracked corn). Because of policy changes that are taking place in the next year, due to the full implementation of the North America Free Trade Agreement (NAFTA), there will no longer be a need to import cracked corn. Thus, in MY 2007/08 importers will replace traditional cracked corn import volumes with yellow corn. The corn import estimate for MY 2005/06 has been revised downward based on final official data from the Secretariat of Economy (SE).

The minimum Tariff Rate Quota (TRQ) for U.S. corn under NAFTA is 3.672 MMT for 2007. This TRQ is administered through government issued import permits (cupos), which are granted to importers and industry. As of March 12, 2007 the Secretariat of Economy (SE) has issued permits for approximately 6.572 MMT of corn. This amount includes the 2007 NAFTA TRQ as well as unilateral TRQs for corn announced on January 23 and March 12, 2007 (See MX7009 & MX7020).

Sorghum: Mexican sorghum production is forecast to decline by approximately 9.5 percent in MY 2007/08, as farmers are opting to move more land into corn production. Due to revised SAGARPA data, and preliminary information from private sources, USDA/Mexico estimates for sorghum production and harvested area for MY 2006/07 were adjusted downward. MY 2005/06 production and harvested area estimates remain unchanged. The MY 2006/07 import estimate has been revised downward to 2.1 MMT as the result of decreased demand. MY 2007/08 imports are forecast to increase to 3.0 MMT because of the need to restore stocks.

Beans: The MY 2006/07 production estimate has been increased based on favorable weather conditions and adequate precipitation. Dry edible bean production in Mexico is expected to decline by less than three percent to 1.23 MMT in MY 2007/08 because of a reduction in planted area. As a result, MY 2007/2008 imports are forecast to increase to approximately 135,000 MT. Dry bean imports for MY 2006/07 are estimated to decrease to 110,000 MT, based on a higher than expected domestic production and lower than anticipated consumption figures. Dry edible bean consumption in MY 2007/2008 is expected to increase by approximately 1.5 percent over last year. This higher consumption figure is driven by both population growth and higher poultry and red meat prices, which have led many lower income consumers to substitute meat for beans as a source of protein in their diets. Poultry and beef meat producers anticipate that prices will continue to rise on higher feed costs.

Wheat: Total Mexican wheat production for MY 2007/08 is forecast at 3.26 MMT. This production is aided by the availability of water for irrigation in Mexico's durum wheat producing regions in the northwest, comprised of the states of Sonora and Baja California. The bread wheat producing states of the central plateau in Mexico also report adequate availability of water and the application of additional inputs to improve yields. MY 2007/2008

imports and overall consumption figures are not significantly different than those of previous years.

Rice: Rice production for MY 2007/08 is forecast to increase by 1.1 percent over the previous year's revised estimate of 181,000 MT (milled basis), primarily driven by government incentives. MY 2007/2008 imports are expected to be roughly six percent greater than MY 2006/2007.

During the week of March 12, 2007, Mexican authorities stopped several shipments of rice at a number of border crossing points, requesting that shipments be certified as free of genetically modified organisms (GMOs), as mandated under a very strict interpretation of Mexico's Biosafety Law. U.S. government officials are working closely with the Mexican Secretariats of Health and Agriculture to resolve this issue, which is the result of the detection of a low level presence of the genetically engineered Liberty Link trait in some shipments of U.S. long-grain rice exported to Mexico. The Secretariat of Health has been analyzing the Liberty Link trait since 2003, and is expected to approve of it as safe for human consumption in the next several weeks, which will ensure that the rice trade can continue without further interruptions.

SECTION II. STATISTICAL TABLES

PS&D CORN

PSD Table									
Country	Mexico								
Commodity	Corn			(1000 HA)(1000 MT)(MT/HA)					
	2005 Revised			2006 Estimate			2007 Forecast		
	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New
Market Year Begin	10/2005			10/2006			10/2007		
Area Harvested	6,640	6,640	6,640	7,300	7,300	7,400	0	0	7,750
Beginning Stocks	4,529	4,529	4,529	2,666	2,666	2,472	2,666	2,666	2,172
Production	19,500	19,500	19,500	22,000	22,000	22,000	0	0	23,200
MY Imports	6,787	6,787	6,544	6,800	6,800	8,000	0	0	10,200
TY Imports	6,787	6,787	6,544	6,800	6,800	8,000	0	0	10,200
TY Imp. From U.S.	6,765	6,765	6,544	0	6,800	8,000	0	0	10,200
Total Supply	30,816	30,816	30,573	31,466	31,466	32,472	2,666	2,666	35,572
MY Exports	250	250	201	0	0	0	0	0	0
TY Exports	250	250	201	0	0	0	0	0	0
Feed Consumption	12,400	12,400	12,400	13,200	13,200	14,700	0	0	17,500
FSI Consumption	15,500	15,500	15,500	15,600	15,600	15,600	0	0	15,800
Total Consumption	27,900	27,900	27,900	28,800	28,800	30,300	0	0	33,300
Ending Stocks	2,666	2,666	2,427	2,666	2,666	2,172	0	0	2,272
Total Distribution	30,816	30,816	30,573	31,466	31,466	32,472	0	0	35,572
Yield	2.9367469	2.9367469	2.936747	3.0136986	3.0136986	2.9729729	0	0	2.9935483

PS&D SORGHUM

PSD Table									
Country	Mexico								
Commodity	Sorghum						(1000 HA)(1000 MT)(MT/HA)		
	2005 Revised			2006 Estimate			2007 Forecast		
	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New
Market Year Begin	10/2005			10/2006			10/2007		
Area Harvested	1,570	1,570	1,570	1,750	1,750	1,550	0	0	1,400
Beginning Stocks	624	624	624	553	553	553	503	503	403
Production	5,500	5,500	5,500	6,150	6,150	5,750	0	0	5,200
MY Imports	3,029	3,029	3,029	2,500	2,500	2,100	0	0	3,000
TY Imports	3,029	3,029	3,029	2,500	2,500	2,100	0	0	3,000
TY Imp. from U.S.	3,029	3,029	3,029	0	2,500	2,100	0	0	3,000
Total Supply	9,153	9,153	9,153	9,203	9,203	8,403	503	503	8,603
MY Exports	0	0	0	0	0	0	0	0	0
TY Exports	0	0	0	0	0	0	0	0	0
Feed Consumption	8,500	8,500	8,500	8,600	8,600	7,900	0	0	8,200
FSI Consumption	100	100	100	100	100	100	0	0	100
Total Consumption	8,600	8,600	8,600	8,700	8,700	8,000	0	0	8,300
Ending Stocks	553	553	553	503	503	403	0	0	303
Total Distribution	9,153	9,153	9,153	9,203	9,203	8,403	0	0	8,603
Yield	3.5031847	3.5031847	3.5031847	3.5142857	3.5142857	3.7096774	0	0	3.7142857

PS&D DRY BEANS

PSD Table									
Country	Mexico								
Commodity	Beans						(1000 HA)(1000 MT)(MT/HA)		
	2005 Revised			2006 Estimate			2007 Forecast		
	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New
Market Year Begin	10/2005			10/2006			10/2007		
Area Harvested	0	1,236	1,296	0	1,680	1,680	0	0	1,640
Beginning Stocks	0	448	448	0	59	65	0	69	65
Production	0	866	874	0	1,250	1,260	0	0	1,230
MY Imports	0	130	117	0	150	110	0	0	135
TY Imports	0	130	117	0	150	110	0	0	135
TY Imp. from U.S.	0	125	113	0	145	105	0	0	125
Total Supply	0	1,444	1,439	0	1,459	1,435	0	69	1,430
MY Exports	0	5	14	0	0	10	0	0	5
TY Exports	0	5	14	0	0	10	0	0	5
Feed Consumption	0	0	0	0	0	0	0	0	0
FSI Consumption	0	1,380	1,360	0	1,390	1,360	0	0	1,380
Total Consumption	0	1,380	1,360	0	1,390	1,360	0	0	1,380
Ending Stocks	0	59	65	0	69	65	0	0	45
Total Distribution	0	1,444	1,439	0	1,459	1,435	0	0	1,430
Yield	0	0.7006472	0.6743827	0	0.7440476	0.75	0	0	0.75

PS&D WHEAT

PSD Table									
Country	Mexico								
Commodity	Wheat						(1000 HA)(1000MT)(MT/HA)		
	2005 Revised			2006 Estimate			2007 Forecast		
	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New
Market Year Begin	01/2005			01/2006			01/2007		
Area Harvested	550	550	550	570	567	570	0	0	575
Beginning Stocks	376	493	376	312	400	312	0	0	340
Production	3,020	3,021	3,020	3,100	3,100	3,240	0	0	3,260
MY Imports	3,549	3,600	3,549	3,600	3,650	3,549	0	0	3,600
TY Imports	3,549	3,600	3,549	3,600	3,650	3,549	0	0	3,600
TY Imp. From U.S.	2,746	0	2,746	0	0	2,289	0	0	2,295
Total Supply	6,945	7,114	6,945	7,012	7,150	7,101	0	0	7,200
MY Exports	533	500	533	500	500	536	0	0	550
TY Exports	533	500	533	500	500	536	0	0	550
Feed Consumption	100	200	100	100	200	200	0	0	200
FSI Consumption	6,000	6,014	6,000	6,100	6,025	6,025	0	0	6,050
Total Consumption	6,100	6,214	6,100	6,200	6,225	6,225	0	0	6,250
Ending Stocks	312	400	312	312	425	340	0	0	400
Total Distribution	6,945	7,114	6,945	7,012	7,150	7,101	0	0	7,200

PS&D RICE, MILLED

PSD Table									
Country	Mexico								
Commodity	Rice, Milled						(1000 HA)(1000MT)(MT/HA)		
	2005 Revised			2006 Estimate			2007 Forecast		
	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New
Market Year Begin	01/2005			01/2006			01/2007		
Area Harvested	52	52	52	52	52	52	0	0	54
Beginning Stocks	174	199	174	180	204	180	0	0	146
Milled Production	181	181	181	181	181	181	0	0	183
Rough Production	271	271	271	271	271	271	0	0	275
Milling Rate (.9999)	.6667	.6667	.6667	.6667	.6667	.6667	0	0	.6667
MY Imports	600	498	600	600	500	535	0	0	570
TY Imports	600	498	600	600	500	535	0	0	570
TY Imp. From U.S.	600	498	600	600	500	535	0	0	570
Total Supply	955	878	955	961	885	896	0	0	899
MY Exports	0	0	0	0	0	0	0	0	0
TY Exports	0	0	0	0	0	0	0	0	0
Total Consumption	775	674	775	800	680	750	0	0	750
Ending Stocks	180	204	180	161	205	146	0	0	149
Total Distribution	955	878	955	961	885	896	0	0	899

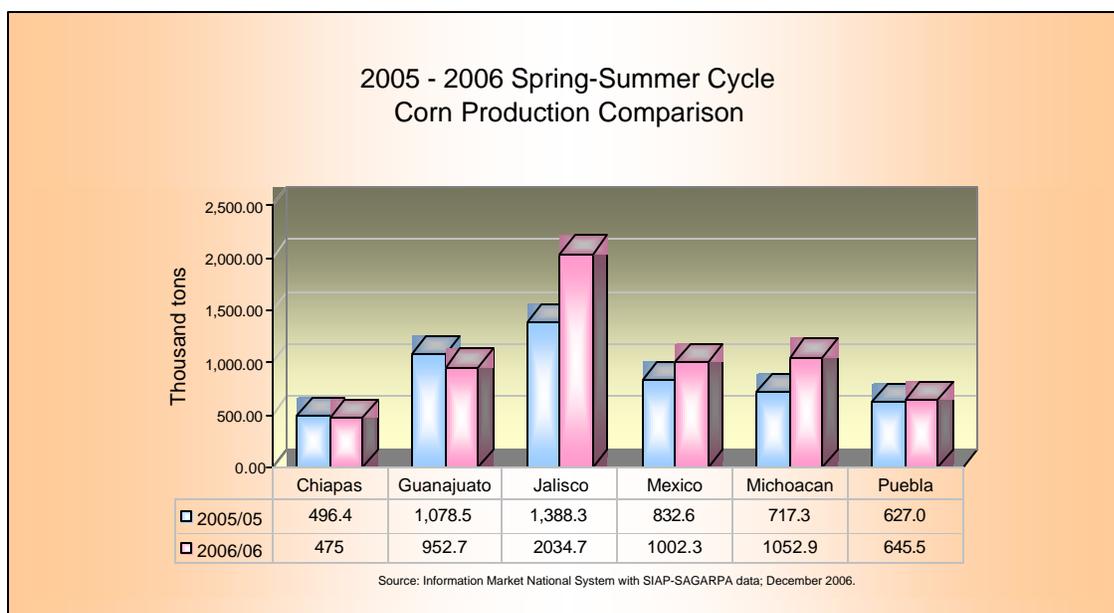
SECTION III. NARRATIVE ON SUPPLY, DEMAND, POLICY & MARKETING**CORN****Production**

Corn production is estimated to increase by five percent to 23.2 million metric tons (MMT) for MY 2007/08 (October/ September), reflecting an increase in harvested area and assuming normal weather conditions. Various industry and GOM sources have indicated that Mexican farmers are expected to boost plantings in the coming year in response to higher corn prices. Moreover, some traders and buyers indicate that the price ratio between corn and sorghum is expected to continue to be more favorable for corn during MY 2007/08. As a result, many farmers will opt to plant corn instead of alternative crops such as sorghum, dry beans, cotton and even wheat.

However, there are many factors other than profit potential that will enter into growers' planting decisions. For example, for some farmers the decision is largely a function of whether seeds are available, and if they have the necessary equipment, drying capacity, and storage capacity to handle more corn. Others growers do not want to be overly dependent on one crop, in the event of bad weather or severe price fluctuations.

The predominant factor in corn production continues to be weather conditions, given that over 65 percent of Mexico's corn production area is non-irrigated. Despite this externality, most sources agree that there will be a major jump in corn plantings due to the attractive prices. Weather during the 2006 spring/summer crop cycle was generally favorable, except at the beginning of the planting season when rain caused some delays in the Bajio region, which encompasses the states of Jalisco, Guanajuato and Michoacan. During the growing season weather conditions improved, allowing for relatively higher yields. The overall yield for the MY 2007/08 corn crop in Mexico is expected to reach 2.993 MT/ha, a very slight increase over the MY 2006/07 average yield, assuming normal rainfall and weather conditions. Yields continue to vary significantly throughout the country, depending in large part on the level of technology used. For example, small indigenous subsistence farmers in Mexico's southern state of Chiapas produce as little as 300 kilograms per hectare, while in the northwest state of Sinaloa, where corn is produced using advanced technology, yields can reach up to 10 MT/ha.

The total production estimates for MY 2004/05 and 2005/06 have remained unchanged. However, it should be noted that based on official preliminary information, corn production in the main producing states increased by over 19.9 percent in the 2006 spring/summer crop compared with the same crop a year earlier. Below is a graph illustrating the difference in the 2005 vs. 2006 spring/summer crop production in the main producing states, with data as of December 31, 2006:



In Mexico there are two corn production cycles each year; a spring/summer cycle, and a fall/winter cycle. Between 70 and 75 percent of the total corn production is grown in the spring/summer cycle, which is harvested from October through December. Since 90 percent of the corn produced in spring/summer cycle is rain fed, the rains starting in June are critical to crop production. The main producing states of this crop cycle are Jalisco, Mexico, Michoacan, Chiapas, Guanajuato, and Puebla. These states account for approximately 55 percent of the spring/summer corn production. The fall/winter crop is harvested in May through September, and 60 percent of this crop is irrigated. The main producing states of this cycle are Sinaloa, Tamaulipas, and Veracruz, accounting for approximately 85 percent of this fall/winter crop.

The 2006/07-fall/winter-corn crop production cycle is estimated at 5.87 MMT, practically unchanged from the previous year. Crop conditions for corn planted in September and October have been near ideal, due to abundant water reservoir levels in Sinaloa dams. According to the National Water Commission, currently the reservoir levels in the northwest region of Mexico are approximately 23 percent higher than a year ago. Moreover, there are forecasts of increased precipitation related to the current El Nino conditions in the tropical Pacific, which historically have been associated with above average winter precipitation in northern Mexico. Yields are forecast at 5.870 MT per hectare for the 2006/07 fall/winter crop cycle, which is higher than registered yields for the same cycle a year earlier (5.386 MT/Ha), and reflects the favorable weather conditions.

The central pacific coast state of Sinaloa is the main source of commercial white corn in Mexico for the fall corn crop, representing approximately 66 percent of total fall/winter corn production. Harvest occurs from May to June. The majority of the corn grown in the northwest part of Sinaloa is produced using advanced technology, similar to what is used in the United States. In addition, large areas are under irrigation. Due to favorable weather conditions, the 2006 spring/summer corn crop was reported to be of relatively high quality.

Recently the Secretariat of Agriculture, Livestock, Rural Development, Fisheries and Food (SAGARPA) started using a new methodology to estimate production costs of farm inputs for

corn and other important commodities. Total input costs for corn production in the main corn producing states, using this new estimation technique, are as follows:

Corn Production Cost Budget for Several States & Crop Cycles (Pesos per Hectare)		
State	2005 Spring/Summer	2005/06 Fall/Winter
Chiapas	5,754.19	N/A
Jalisco	5,888.00	N/A
State of Mexico	5,870.60	N/A
Sinaloa*	N/A	5,592.20
Tamaulipas*	N/A	6,807.50
Veracruz	N/A	5,512.00

* Irrigated Area

Exchange Rate as of February 22, 2007: U.S. \$1.00 = 11.13 Pesos
Source: SIAP/SAGARPA

A flat-rate payment of 963 pesos/ha (roughly U.S. \$86.52/ha) was provided to corn, sorghum, wheat, rice, and dry beans farmers for the 2006 spring/summer crop cycle. This payment plan will be repeated for the 2006/07-fall/winter crop under PROCAMPO, the Mexican domestic agriculture support program. The GOM policy is that farmers with production areas of between one and five hectares will receive 1,160 pesos per hectare (approximately U.S. \$104.22/ha). The GOM has yet to announce the payment amount for the 2007 spring/summer crop cycle.

HISTORY OF PROCAMPO PAYMENTS, 1994-2005 (Pesos per hectare)

Crop Cycle	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Fall - Winter	1,416	1,254	1,060	995	980	958	974	1,012	999	979	948	963
Spring – Summer	1,502	1,379	1,166	1,143	1,104	1,083	1,071	1,079	1,052	-	-	-
Preferential rate 1/	-	-	-	-	-	-	-	-	-	1,156	1,174	1,160
Normal rate	-	-	-	-	-	-	-	-	-	1,015	980	963

1/ Starting in 2003, a preferential payment rate was established for non-irrigated areas during the Spring-Summer cycle.
Source: Sixth State-of-the-Union Report, Vicente Fox Quesada, President of Mexico.

The GOM has continued to encourage forward contract purchases between farmers and yellow corn buyers in an attempt to influence production patterns (see MX2037, MX3028, and MX5022). For the 2006/07-fall/winter-crop cycle, for example, SAGARPA officials brokered an agreement between Tamaulipas growers and private buyers for the forward contract of approximately 250,000 MT of yellow corn. According to official sources, at the national level, total yellow corn production was approximately 1.330 MMT in MY 2005/2006. For MY 2006/2007 the same sources estimated that production will reach 1.685 MMT. It is expected that this trend will continue for the next few years, as the GOM recently announced that it would continue to support the forward contracts program through 2012 (See MX7016).

Consumption

For MY 2007/08 total consumption is forecast to reach 33.33 MMT, an increase of approximately 10 percent over last year's revised estimate. The MY 2006/07 corn consumption estimate has been revised upward to 30.3 MMT, an increase of 5.2 percent over the previous estimate. The dramatic increase in MY 2007/2008 is primarily attributed to the fact that importers no longer need to rely on cracked corn imports to meet demand, and to avoid costly over quota duties. Cracked corn has historically not been factored into the overall consumption figures. If it were to have been, MY 2006/07 consumption would be roughly 32.3 MMT (30.3 MMT in corn, plus 2.0 MMT in cracked corn), and thus MY 2007/08 consumption estimates would register an increase of only 3 percent. This lower estimate is more in line with national trends, and more indicative of what is occurring in this market.

Domestically produced corn is predominately white corn varieties and is used for human consumption. It is a very important crop to the country, as tortillas are a staple of the Mexican diet, with an annual per capita consumption of 65 kilograms. Much of Mexico's lower income population relies upon tortillas for the bulk of their daily caloric intake. In 2004 corn tortillas accounted for 7.3 percent of total food and beverage expenditures. Per capita consumption should increase in accordance with population growth, but could be tempered by a decrease in consumer purchasing power, which may induce consumers to substitute corn tortillas for less expensive alternatives.

Starting in the September of 2006 the domestic livestock industry was forced to deal with a surge in feed grain prices. For a period of time in the fall of 2006 Mexican white corn prices were more competitive than U.S. feedgrain prices. Thus, many Mexican feed grain users opted to purchase grains domestically, rather than on the international market. This effectively directed about 1.2 MMT of Mexican white corn to the livestock industry that normally would have been in the commercial tortilla supply chain. Such a volume of corn being taken out of the tortilla supply chain partially contributed to a rapid increase in tortilla prices, starting in January of 2007.

MY 2007/2008 domestic feed demand is forecast at 17.5 MMT. Though this figure appears to be significantly higher than MY 2006/07, the actual increase is rather minor once cracked corn imports are figured into the feed grain consumption equation. The impact of higher corn prices is starting to be felt by the Mexican livestock industry. Industry sources have confirmed that growth in the swine, poultry, and beef sectors is slowing down due to higher feed costs. Poultry producers also estimate that consumption of feed grains will increase only 1 percent in MY 2007, to 8.6 MMT. The poultry sector continues to be the major consumer of feed corn and sorghum in Mexico.

Trade

As previously stated, the MY 2007/2008 corn import estimate is significantly higher than the MY 2006/2007 estimate. However, cracked corn has historically not been reflected in the corn PSD table. Once cracked corn is factored into the total import figure, corn imports in 2007/08 are forecast to increase to 10.2 MMT, only 2 percent over the revised estimate for MY 2006/07 (in MY 2006/07 Mexico imported 8.0 MMT of corn and 2.0 MMT of cracked corn). Because of timelier issuance of import permits, and the full implementation of NAFTA in 2008, there will no longer be a need to import cracked corn in MY 2007/2008. Thus, in MY 2007/08 importers will replace traditional cracked corn import volumes with yellow corn.

Given the importance that weather plays in Mexican agricultural production, wide fluctuations (from 1-2 MMT) can be expected in the year-over-year import volumes. Import estimates for MY 2006/07 have been increased, and the import estimate for MY 2005/06 has been revised downward based on final official data from the Secretariat of Economy (SE). The MY 2005/06 export estimate has also been revised downward based on final official data from SE.

As a part an effort to stabilize tortilla prices, the Secretariat of Economy (SE) has issued import permits for approximately 6.572 MMT of corn through the first quarter of 2007 (see MX7004, MX7009 and MX7020). This amount includes the 2007 NAFTA TRQ as well as unilateral TRQs for corn announced on January 23 and March 12, 2007 (See MX7009 and MX7020). Official sources have stated that additional imports will be issued throughout the year, in accordance with demand. The following table outlines the SE corn cupo allocations by industry:

Corn import Quota Allocations (TRQ) for CY 2007	TRQ Allocation	% Of Total
Under NAFTA	1000 Metric Tons	
Corn Flour Millers (Human consumption)	333.3	9.24
Snack food	45.0	1.25
Breakfast Cereal (Human Consumption)	64.626	1.79
Starch Industry	1,314.568	36.46
Manufacturers Livestock (feeders, (growers & feed millers)	1,848.058	51.26
Total	3,605.524	100.00

Note: The minimum Tariff Rate Quota for U.S. corn under NAFTA is 3.672 MMT for 2007. As mandated by the Lower House in the 2007 Budget Law, the GOM is obligated to keep a minimum reserve of NAFTA TRQ for the possible imports requirements of white corn in the second semester of 2007 (i.e. 66,476 MT).

Source: Secretariat of Economy as of February 23, 2007.

Corn import Quota Allocations Under	TRQ Allocation	% Of Total
The Extraordinary Unilateral Quota of February 23, 2007	1000 Metric Tons	
Corn Flour Millers (White Corn)	100.0	8.20
Governmental Company –DICONSA – (White corn)	15.0	1.23
"Nixtamal" Miller Industry (white corn)	254.597	20.87
Manufacturers Livestock (feeders, (growers & feed millers) – Yellow corn -	850.000	69.70
Total	1,219.597	100.00

Note: According to Secretariat of Economy (SE), the unilateral corn tariff rate quota for 2007, in accordance with the country's WTO commitments, is 1.3 MMT (See MX 7004 and MX7009).

Source: Secretariat of Economy as of February 23, 2007.

Corn import Quota Allocations Under	TRQ Allocation
The Extraordinary Unilateral Quota of March 12, 2007	1000 Metric Tons
A. Livestock sector and animal feed Manufacturers that have received Allocations of yellow of the 2007 NAFTA TRQ	1,000.00
B. Livestock sector and animal feed Manufacturers that have not received Allocations of yellow of the 2007 NAFTA TRQ	600.00
Total	1,600.0

Note: According to Secretariat of Economy (SE), the additional unilateral corn tariff rate quota for 2007, in accordance with the country's WTO commitments, is 1.6 MMT (See MX7020).

Source: Secretariat of Economy as of March 12, 2007.

In CY 2006 cracked corn imports continued to increase due to the strong demand by the livestock sector, and the necessity of avoiding the NAFTA corn tariff rate quota (TRQ) allocation process, reaching 3.2 MMT, or a 16.2 percent increase over the previous year. Again, cracked corn is not reflected in the corn PSD table.

Stocks

Mexico's ending stocks are forecast to increase very slightly to approximately 2.272 MMT in MY 2007. Still, the country's stock-to-use ratio is rather low compared to MY 2005/06. The estimated MY 2006/07 ending stocks were revised downward, due to higher-than-previously estimated domestic consumption. Similarly, the ending stocks estimate for MY 2005/2006 was revised downward as result of lower than originally estimated imports.

Policy

Since the implementation of NAFTA on January 1, 1994, the over-quota bound tariff on corn has been reduced from 206.4 percent to 18.2 percent, and the TRQ has increased from 2.5 MT to 3.672 MMT for CY 2007. At the same time, Mexico has converted its import licensing system to a transitional tariff rate quota for the U.S. and Canada. The TRQ will remain in effect for less than one year, and trade will be fully liberalized on January 1, 2008. Likewise, the United States has eliminated the 0.2 cents per kilogram tariff on corn imported from Mexico.

Despite the agreed upon NAFTA bound tariffs for white and yellow corn, the Mexican Government has customarily issued additional import permits beyond the amount required by the free trade agreement. Usually these additional imports were subject to minor tariffs (roughly 1-2 percent on yellow corn, and 2-3 percent on white), rather than the NAFTA bound tariffs. However, in recent years the Mexican Lower House has decided that over-quota imports of white corn would be subject to the import tariffs specified by NAFTA (72.6 percent in 2004, 54.5 percent in 2005, 36.3 in 2006 and 19.2 percent in 2007). Although all correspond to NAFTA bound tariffs, this decision is a marked departure from past practices,

as there is a significant difference between the current bound and the previous applied tariffs. Nevertheless, this tariff is NAFTA consistent and will apply to white corn, even in the case of a shortage (see MX6019).

In the case of yellow corn, which comprises approximately 97 percent of all U.S. corn exports to Mexico for the last few years, the Lower House decided to leave the determination of the over quota amount to the Ministries of Economy and Agriculture, two ministries which have traditionally supported very low applied tariffs for corn, and who have usually administered the import permit allocation process based on national supply conditions and the marketing of domestic corn (see MX5022). The United States will remain the main supplier of corn to Mexico for the foreseeable future.

SORGHUM

Production

Mexican sorghum production for MY 2007/08 (Oct-Sept) is forecast to decrease by approximately 9.5 percent to 5.2 MMT because many producers are opting to switch from sorghum to corn production. Despite the fact that the prices of both grains are high, the recently announced GOM measures to support corn competitiveness could persuade farmers to move sorghum production land into corn (See MX7016). Moreover, poultry and hog producers are anticipating a slowdown in demand for their products as a result of price increases. Both sectors are the main consumers of sorghum in Mexico.

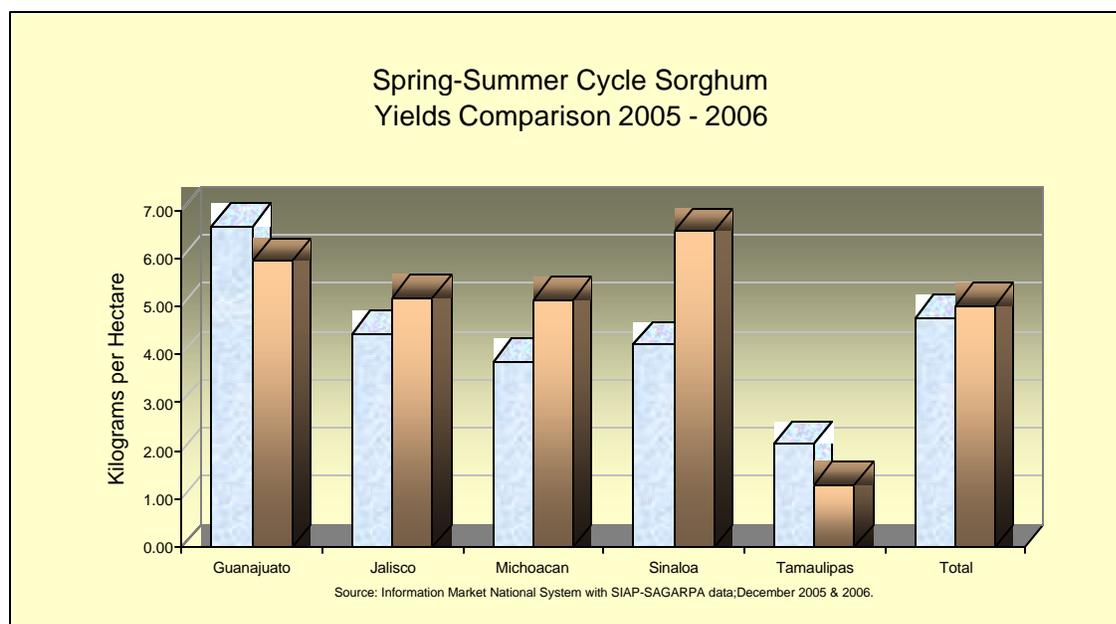
Due to revised SAGARPA data, and preliminary information from private sources, USDA/Mexico estimates for sorghum production and harvested area for MY 2006/07 were adjusted downward. MY 2005/06 production and harvested area estimates remain unchanged.

Harvested area of sorghum in MY 2007 is expected to decrease to 1.4 million hectares due to the switch from sorghum to corn. According to an industry source, weather at planting will be the determinate factor for farmers that are deciding between planting corn and sorghum. If the rains are on time, farmers are more likely to plant corn. If the rains are later, farmers are more likely to plant sorghum.

Thus far in the 2006 Spring/Summer crop cycle, water availability has been adequate in most parts of Mexico. Approximately 25 percent of the spring/summer crop is irrigated. According to the National Water Commission, the reservoir levels in dams in the states of Guanajuato, Jalisco and Michoacan, in west central Mexico, are approximately 23 percent higher than a year ago. These states produce the bulk of the spring/summer crop cycle. Similarly, these states have registered favorable weather conditions and timely rains across the main producing areas, which may increase the sorghum yields beyond what is expected.

Sorghum production is spread throughout the country, with the largest producing states being Guanajuato, Tamaulipas, Michoacan, Sinaloa, and Jalisco, which account for approximately 75 percent of total sorghum production. Roughly 24 percent of the fall/winter crop is irrigated, while nearly 25 percent of the spring/summer crop is irrigated.

Official data, as of December 31, 2006, reveals that the overall yield for the 2006 spring/summer crop is five percent higher than a year ago, and crop quality is reportedly average to good. The graph below illustrates the difference between the 2005 and 2006 spring/summer crop yields in the main producing states.



SAGARPA data on sorghum production costs is limited to only a few states. In Tamaulipas, for example, costs vary between 4,381 – 8,235 pesos/ha (U.S. \$ 396 - \$740/ha), depending on whether the land is irrigated.

A flat-rate payment of 963 pesos/ha (roughly U.S. \$86.52/ha) was granted to sorghum farmers for the 2006 spring/summer crop cycle. This payment plan will be repeated for the 2006/07-fall/winter crop under PROCAMPO, the Mexican domestic agriculture support program. The GOM policy is that farmers with production areas of between one and five hectares will receive 1,160 pesos per hectare (approximately U.S. \$104.22/ha). The GOM has yet to announce the payment amount for the 2007 spring/summer crop cycle.

Because of transportation and quality issues feed millers are somewhat reluctant to purchase the Tamaulipas fall/winter crop. In order to encourage the purchasing of Tamaulipas sorghum, the GOM has promoted forward contract purchases between farmers and feed mill buyers. According to official sources, SAGARPA officials brokered agreements for 1.3 MMT of sorghum between Tamaulipas growers and private buyers for the 2006/07-fall/winter-crop cycle. The forward contracts program may continue in the next crop cycle, but is dependent on the federal budget, which is reauthorized each year.

Consumption

The poultry industry is the major consumer of sorghum in Mexico. The consumption estimate for MY 2006/2007 was revised downward based on more current industry information, which reflects a substitution of sorghum for corn. Traders and buyers indicate that the GOM's actions to issue additional corn import permits could encourage livestock producers to consume even more corn. The livestock sector, mainly poultry and hog growers, consumes corn primarily in the form of mixtures and feed concentrates.

In MY 2007/08 sorghum consumption is expected to increase only moderately to 8.3 MMT as a result of the overall sluggish demand for feed grains. Sorghum consumption growth by the poultry industry will be dampened due to the expected price increase of poultry meat and eggs. Private industry sources have reported that poultry, beef and pork producers have

been reluctant to pass on the effects of the recent surge in feed grain prices to the industry, traders, or the final consumer. However, the forecast is that they cannot maintain their current pricing structure beyond March or April. Thus, a price increase in meat products could be in place by May of 2007. Moreover, for MY 2007, the poultry sector not only faces increased costs of production, but consumers have less purchasing power due to an expected slowdown in Mexican economy.

Trade

Imports for MY 2007/08 are forecast to increase by 900,000 MT to 3.0 MMT due to lower domestic production and the need to restore stocks. The MY 2006/07 import estimate has been decreased to 2.1 MMT based on preliminary data from official and private sources. This decrease is the result of the substitution of sorghum with yellow corn imports, due to the authorization of additional corn cupos (see Corn Trade Section). The MY 2005/06-import estimate remains unchanged.

Stocks

The estimate of MY 2006/07 ending stocks has been decreased to about 400,000 MT because of lower than expected domestic production, and lower than previously estimated imports. Similarly, ending stocks are forecast to decrease by nearly 25 percent because of lower domestic production for MY 2007/08. Private feed millers continue to keep approximately six weeks supply of feed in stock at any given time.

BEANS, DRY EDIBLE

Production

MY 2007/08 Mexican dry edible bean production is forecast at 1.23 MMT, 2.5 percent lower than last year's revised estimate. Likewise, the forecast for area harvested is approximately 40,000 hectares lower than the previous year. The reduction in expected planted area is primarily attributed to a shift from dry bean production to corn production, due to higher prices. An additional factor may be the continuation of a GOM conversion program, which works to move less productive hectares into forage crops (see Policy Section). The production estimates, as well as the harvested area estimates, for MY 2005/2006 and 2006/2007 have been revised upward. These changes reflect the most recent SAGARPA figures, which include an update for the 2006/07-fall/winter-crop cycle and a preliminary estimate for the 2006 spring/summer crop cycle. FAS/Mexico continues to use official Mexican government statistics for historical purposes.

Industry and official sources estimate that the 2006 spring/summer crop cycle could produce approximately 1.0 MMT of edible dry beans. In the 2005 spring/summer crop, Mexico harvested 556,000 MT. This increase was possible because of ample rainfall. Growers traditionally plant the spring/summer harvest from March to August, and harvest it from September to February. In Zacatecas, the main producing state, official reports indicated that the planted area received ample rains in July and the crop had a good start. The crop was planted on schedule between June and July. Some areas, however, suffered from minor pest problems and poor harvesting conditions, which caused some reductions in quality. Total planted area in Zacatecas was approximately 602,000 hectares. Only 9,300 hectares were reported as damaged, which represents only 4 percent of the area that was damaged last year. Zacatecas production is expected to reach approximately 424,000 MT, approximately 142 percent more than the year before, which had registered extremely dry weather conditions. According to official sources, this production was broken down into

approximately 60 percent blacks, 30 percent colored beans (“flor de mayo” and “flor de junio”) and the rest were pinto varieties. Bean quality was reported as less than average due the excessive rain at harvest.

Production in Durango, the second most important dry bean producing state, also increased sharply (approximately 200 percent), due to good weather and timely rainfall during the growing season. Most of the 2006 spring/summer crop was planted in late July and early August. Yields were also said to be well above normal for this crop, averaging 0.810 MT/ha. compared to 0.365 MT/ha. one year earlier. Production is forecast at 199,400 MT, with the majority of the crop being pinto varieties.

Growers were pleased with the 2006 spring/summer crop cycle in Chihuahua, the third most important dry bean producing state. Crop conditions during the growing season were much better than last year, and contributed to higher overall yields. Over 81,000 MT of production are expected to yield from the 95,000 planted hectares, with yields averaging roughly 0.850 MT/ha. According to industry sources, Chihuahua is increasingly using more modern farming practices, which has resulted in more effective weed control and higher bean quality. Chihuahua appears to be the bright spot for Mexico’s bean crop, as it realizes higher average yields and consistently high quality crops. Chihuahua production is approximately 98 percent pinto varieties. The irrigated production area (approximately 20,000 ha.) is dominated by sophisticated growers who use hybrid seed, automated irrigation, and advanced agronomic practices.

For the 2006/07-fall/winter-crop cycle, Nayarit reports a planted bean surface of 57,391 ha., 10 percent lower than a year ago, reflecting the relatively sluggish demand for beans in 2006. The expected production this year is approximately 75,000 MT. Of this production, 70 percent are Jamapa Black. The rest of the production consists of colored beans, such as the Azufrados, Mayocobas, and other clear and pink varieties. SAGARPA officials stated that harvesting began in the first week of February and is expected to conclude in March. Despite rumors of damage to the bean crop due to bad weather at the beginning of January, damage was done to no more than 1,500 hectares.

Sinaloa is the main producing state of the fall/winter crop cycle. SAGARPA officials reported that 75,118 hectares were planted in this state, of which 63,1885 hectares are irrigated. Production is expected to reach 113,540 MT. The estimated yield is 1.845 MT/ha, which is 27 percent greater than the same crop cycle a year ago, despite the fact that growers have experienced some weather problems because of low temperatures on January 23 and 24. Similar to Nayarit, harvesting began in February and is expected to end in March.

Weather continues to be the predominant production factor, given that over 80 percent of Mexico’s bean production areas are non-irrigated. The overall yield for the MY 2007/08 is forecast at about 0.750 MT/ha, which is similar to the average expected in MY 2006/07. The dry beans harvested during the 2006 spring/summer crop cycle are reportedly of less than average quality due to the previously mentioned excessive rain at harvest. For the 2006/07-fall winter crop cycle, however, the quality is reportedly relatively high.

According to SAGARPA’s new methodology to estimate dry bean inputs cost, costs vary widely depending on location and whether the production area is irrigated. The following table is an outline of the available information on total input costs for dry beans production in different states:

Dry Beans Production Cost Budget for Several States & Crop Cycles (Pesos per Hectare)		
State	2005 Spring/Summer	2005/06 Fall/Winter
Zacatecas	2,557.00	N/A
Chihuahua	2,867.00	N/A
Nayarit*	N/A	8,443.00
Sinaloa**	N/A	14,949.00

*Irrigated Area using gravity irrigation system

** Irrigated are using pumping irrigation system

Exchange Rate as of February 22, 2007: U.S. \$1.00 = 11.13 Pesos

Source: SIAP/SAGARPA

Production Policy

A flat-rate payment of 963 pesos/ha (roughly U.S. \$86.52/ha) was given to bean farmers for the 2006 spring/summer crop cycle. This payment plan will be repeated for the 2006/07-fall/winter crop under PROCAMPO, the Mexican domestic agriculture support program. The GOM policy is that farmers with production areas of between one and five hectares will receive 1,160 pesos per hectare (approximately U.S. \$104.22/ha). The government has yet to announce the payment amount for the 2007 spring/summer crop cycle.

The GOM has continued with the program to support dry bean farm-gate prices established in CY 2003 in Zacatecas and Durango (see MX6019). This year the program paid 6.0 pesos per/kilo. The dry beans are delivered to private warehouses, and the established price is paid (i.e. 6.0 pesos per kilo) in full to the producer. Private sources have indicated that at the beginning of the harvest private traders were buying beans at prices from 3.50 to 4.30 pesos per kilo, before the private collection warehouses started to operate. Many growers opted to sell early in the harvest season at lower prices for cash flow reasons. However, as soon as the collection sites were open (33 sites in the state of Zacatecas alone), most growers opted to sell for the higher price of 6.0 pesos per kilo.

Additionally, the GOM, through its Bean Reorganization Program (see MX5022 & MX6019), has continued to support bean farmers by offering certified seed, subsidies for the adoption of improved machinery/technology (i.e., combines and packing plants), reduced diesel prices, and PROCAMPO supports. Currently the GOM has been focusing on black beans in Zacatecas through a program of distributing certified T-39 black bean seeds imported from Michigan. This program has been relatively successful, as approximately 900 hectares of irrigated land were planted with certified T-39 black bean seed this past year. The crop produced approximately 2,130 MT, with an average yield of 2.5 MT/ha. The GOM has also purchased 100 combines from Brazil specifically designed to harvest dry beans. Those combines are resold to producers, or groups of producers, under favorable financing plans.

The GOM continues to work to move marginal bean areas into other products such as grains and grasses with the conversion program. This program has realized some success in Zacatecas (see MX6019). Recently the GOM announced that for CY 2007 it would add another 150,000 hectares into this program (See MX7016)

Several years ago the GOM financed bean-cleaning plants in the Zacatecas towns of Calera and Sombrerete (see MX5022 and MX6019). Despite management and financing problems in the beginning, both plants are currently operating, and have expanded their scope of

activities to include warehousing services. For the spring/summer crop cycle the goal is for these plants to process 30,000 MT of dry beans. Similarly, in the Durango city of Guadalupe Victoria another cleaning facility has been constructed under a government-financing scheme. The objective of this plant is to improve the commercial bean value to local farmers. Reportedly, the plant is in the last stages of construction. Private sources indicated that this plant is modern, sophisticated, and expensive.

Consumption

The forecast for dry bean consumption in MY 2007/08 is 1.380 MMT, an increase of approximately 1.5 percent over the revised estimate of last year. Dry beans continue to be a basic staple food in Mexico, despite the fact that Mexico has experienced a decline in consumption over the last few years. An emerging middle class, where both parents work outside the home, is forcing a change in the food consumption habits of many Mexicans. Because of the amount of time required to prepare beans, bean consumption has declined as the opportunity cost of time has risen, along with the purchasing power of many Mexican families. However, in MY 2007/2008 dry bean consumption should increase slightly as low and middle-income consumers start to substitute the consumption of meat and poultry for less expensive dry beans as a source protein in their diets. Per capita dry bean consumption in Mexico continues to be one of the highest in the world, at approximately 12.7/kg per year. MY 2005/06 and MY2006/07 bean consumption estimates were revised downward, reflecting the most recent industry information.

Trade

MY 2007/08 imports are forecast to increase to 135,000 MT, assuming a decline in domestic production. Import estimates were adjusted downward for MY 2006/07 due to higher-than-previously estimated domestic production. Similarly, import estimates for MY 2005/06 have been revised downward based on end-of the year data from SE. Export estimates for MY 2005/06 and MY 2006/07 have been revised upward, based on SE's official data and trade sources.

Stocks

Carryovers stocks are expected to decrease by approximately 44 percent because domestic production is forecast to decline in MY 2007/08. Estimated stocks for MY 2005/06 and MY 2006/07 have been revised upward and downward, respectively, reflecting the most recent official information. For MY 2007/08, ending stocks are forecast to decrease to 45,000 MT.

Policy

On January 1, 1994, in accordance with the NAFTA, Mexico converted its import-licensing regime for the United States and Canada to a transitional TRQ. The U.S. TRQ grew at a 3-percent annual rate over the 15-year transition period, which started in 1994 and will end in 2008. In CY 2007, the United States is able to export 73,427 MT duty-free to Mexico. The over-quota tariff for CY 2007 is 11.8 percent. Since 1994 the over-quota tariff for dry beans has gone from 127.8 percent to 11.8 percent. The remainder of the tariff will be zero in 2008.

WHEAT**Production**

Total Mexican wheat production for MY 2007/08 is forecast at 3.26 MMT, 0.6 percent greater than the previous year's revised estimate. This increase is due to a slight expansion in area planted in Mexico's bread wheat producing regions, and sufficient water availability for irrigation in Mexico's durum wheat producing region in the northwest of the country. The bread wheat producing states of the central plateau in Mexico also report sufficient water availability and the application of additional inputs to improve yields, thus improving production expectations for MY 2007/08. Mexican wheat production for MY 2006/07 is also revised upward from our previous estimate due to sufficient water supply and better inputs. Production for MY 2005/06 reflects official data.

The following table shows year-over production costs for the main wheat producing states.

Wheat Production Cost Budget for Several States & Crop Cycles (Pesos per Hectare)		
State	2005 Spring/Summer	2005/06 Fall/Winter
Sonora*	N/A	9,538.15
Baja California*	N/A	9,785.60
Tlaxcala	6,839.50	N/A

* Irrigated Area

Data for other wheat producing states not yet available.

Exchange Rate as of February 22, 2007: U.S. \$1.00 = 11.13 Pesos

Source: SIAP/SAGARPA

Overall harvested area for wheat in MY 2007/08 is forecast to increase by 0.09 percent, to around 575,000 hectares. This estimate is slightly higher than our revised estimate for MY 2006/07. The increase reflects the tendency of many wheat farmers in the state of Sonora to return to growing wheat after having planted other crops that required less water during the drought years. Harvested area for MY 2006/07 is revised upward from our previous estimate as farmers return to planting wheat now that the drought years have subsided. Harvested area for MY 2005/06 reflects official data.

Consumption

For MY 2007/08, post forecasts a slight increase over the previous year's revised estimate due to continued growth in preferences among consumers for wheat-baked goods. Much for the same reason as above, the MY 2006/07 estimate has been revised upward by 2.05 percent. Consumption for MY 2005/06 reflects official data.

Trade

Imports for MY 2007/08 are forecast at 3.60 MMT, slightly higher than the previous year's revised estimate of 3.55 MMT. This increase is largely driven by shifts in tastes and preferences towards bread products in Mexico. Despite increased imports, greater demand has also fueled increased production of bread wheat in central Mexico. Imports for MY 2006/07 are revised downward by 12.15 percent from our previous estimate reflecting more current information from industry and government sources. Imports for MY 2005/06 reflect official data. Mexican wheat exports for MY 2007/08 are forecast at 550,000 MT, and are mainly durum wheat from the northwestern states of Mexico. MY 2006/07 exports are

revised upward reflecting current statistical data. Exports for MY 2005/2006 reflect official data. As customary, Mexico will continue to import wheat from the United States and Canada. Naturally, price will play a large role in deciding the source of imports.

Stocks

My 2007/08 ending stocks are forecast at 400,000 MT. Because of irregular growth and quality in the production of bread quality wheat, the Mexican industry needs to build and maintain adequate year-to-year stocks. Thus, ending stocks in MY 2006/07 have been revised upward to 340,000 MT. MY 2005/06 ending stocks reflect official data.

Marketing

U.S. wheat prices must stay competitive in order for U.S. producers to maintain their current market share. Furthermore, wheat consumption in Mexico should be stimulated by market development activities that focus on consumer use of wheat products (e.g., bread, cookies, etc.). Also, close contact should be maintained with industry and government personnel in charge of regulatory functions so that grades, standards, and phytosanitary regulations do not impede the wheat trade between the U.S. and Mexico.

RICE

Production

Rice production for MY 2007/08 is forecast to increase slightly by 1.1 percent from the previous year's estimate of 181,000 MT (milled basis), as some of the idle rice lands were brought back into production with new promises of government support. Due to untimely implementation of government support programs, production for MY 2006/07 remains unchanged from the previous estimate. Rice output for MY 2005/06 reflects official data.

Government sponsored programs are in effect which offer much needed financing to small and medium-sized producers. However, due to high interest rates, it is unlikely that the programs will have any significant impact on production in the short-term. Therefore, at best, rice production will remain stable or will very gradually increase, in the next few years.

For MY 2007/08, area harvested is forecast to increase by 3.8 percent from the previous year's estimate due to expectations of timely government support to Mexican producers. Harvested area for MY 2006/07 remains unchanged at 52,000 hectares. MY 2005/06 harvested area reflects official data.

Given that most rice production in the major growing regions is irrigated, average yields are expected to remain at about 4.7 metric tons per hectare, with yields in Veracruz slightly higher. However, given the increase in input costs, many producers may not have the financial resources to use the same amount of inputs. Thus, in certain areas yields may be lower than in years past.

Rice Production Cost Budget for Several States & Crop Cycles (Pesos per Hectare)		
State	2005 Spring/Summer	2005/06 Fall/Winter
Veracruz	18,553.25	N/A
Morelos	29,510.00	N/A

Data for other rice producing states not yet available.

Exchange Rate as of February 22, 2007: U.S. \$1.00 = 11.13 Pesos

Source: SIAP/SAGARPA

Consumption

MY 2007/08 rice consumption is forecast at 750,000 MT, unchanged from the previous year's revised estimate. This steady consumption pattern is due to competitive prices, and the continuing marketing efforts by the U.S. Rice Federation and the U.S. Rice Producers Association. Rice is a staple food for the majority of the lower income population in Mexico. Nonetheless, MY 2006/07 consumption estimates have been revised downward from our previous estimates, reflecting more accurate and current data from the industry. Consumption for MY 2005/06 reflects official data.

Trade

Imports in MY 2007/08 are forecast to increase by roughly six percent because of insufficient domestic production relative to consumer demand. MY 2006/07 rice imports remain unchanged from the previous estimate. Imports for MY 2005/06 reflect official data.

Stocks

Ending stocks are forecast to increase slightly in MY 2007/08 to 149,000 MT. Rice mills generally keep between one and two months supply of imported rice in stock. However, due to insufficient domestic production, mills will increasingly look to imports for supplies, especially during the traditionally short supply months of April, May, June and July, the months in-between Mexico's two rice crops. Ending stocks for MY 2006/07 are revised downward to 146,000 MT due to steady consumption. Ending stocks for MY 2005/06 reflect official data.

Policy

On September 11, 2006 the Secretariat of Economy (SE) published the final resolution of Mexico's antidumping investigation on U.S. long-grain white rice. Mexico undertook the investigation after the December 2005 WTO ruling that Mexico had not properly conducted the previous investigation that had led to the imposition of antidumping duties. In this final resolution, SE revoked all previous duties, concluding that the imports during the referenced period did not constitute price discrimination, and thus did not cause damage to the domestic rice sector (See MX6076).

Marketing

Marketing activities should continue to center on branded promotions and other avenues for creating niche markets for U.S. specialty and quality rice. In addition, given the overall low level of rice consumption in Mexico, it may also be strategically beneficial to provide nutritional information on rice to encourage more healthy diets and increased rice consumption in lower income areas of the country.