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Grain and Feed

August Grain and Feed Update

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Report Highlights:

FAS/Mexico maintains its previous forecast based on: normal weather conditions, average planted area, the progress of the 2007/08 feed grain crops, and access to official information of imports and exports from the Secretariat of Economy (SE). In the meantime, the Government of Mexico continues to implement measures to confront rising grain prices, some of which include reducing the import duties on wheat, corn, and rice.

Includes PSD Changes: No
Includes Trade Matrix: No
Annual Report
Mexico City [MX1]
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CORN AND SORGHUM

PRODUCTION

FAS/Mexico maintains its previous forecast based on: normal weather conditions average planted area, the progress of the 2007/08 feed grain crops, and access to official information of imports and exports from the Secretariat of Economy (SE).

POLICY

President Felipe Calderon recently announced a series of procedures to confront high grain prices as well as food prices in general. Calderon's main focus was to increase the supply of grains by reducing the import duties to MFN countries on wheat, corn, and rice. As a result, the SE announced that it would allow a total of 100,000 MT of dry beans to be imported duty-free under a tariff rate quota (see Gain Reports MX8027 & MX8046). This would not impact U.S. exporters since they have been exempt from TRQ provisions and duties on dry beans since January 1, 2008.

On August 6, 2008, President Felipe Calderon named Gerardo Ruiz as Mexico's Secretary of Economy to replace former Secretary Eduardo Sojo, who was nominated as the President of the National Institute of Statistics and Geography (INEGI). Ruiz is a staunch political ally and longtime friend of Calderon. He is viewed by analysts as a member of Calderon's inner circle and would have a better chance of fulfilling Calderon's objectives for high food prices. Calderon instructed Ruiz to focus on the following goals:

1. Support Mexican families who are dealing with high prices;
2. Attract investment to generate jobs;
3. Strengthen support programs for small and medium enterprises (SMEs);
4. Deepen Mexico's international trade commitment by finding more markets for Mexican producers, and make Mexico a multi-directional link for trade flows between Europe, Asia, and the Americas;
5. Coordinate more effectively with other governmental agencies to promote faster economic growth.

Even though increasing corn and sorghum prices continues to increase production costs in the poultry sector, prices have decreased since the market has been flooded with poultry products. The SE's Market News Agency recently compared current retail prices on a number of poultry items to prices from January. The agency pointed out that the price for whole birds dropped 16 percent, and the price for breast and rotisserie chicken declined 14 percent. The price of chicken leg quarters has remained relatively steady, down one percent. Mexican producers continue to market whole birds in public markets as well as rotisserie chicken. Consumers may currently be happy with lower prices, but private analysts claim that the reduced price of chicken products reflects increasing imports from the United States. Overall, analysts state that Mexico's chicken imports from the U.S. for the first half of the year were seven percent higher than in 2007. Analysts also worry that the domestic industry has been unable to recoup from higher production costs, derived mainly from higher grain feed prices. As a result, they stated that the outlook for the remainder of 2008 for Mexican poultry producers is pessimistic. According to industry sources, the Mexican industry has been slow to react to changing market conditions and has not made the necessary production adjustments in a timely manner. As a result, producers are facing the negative impact of a market oversupply at a time of increased production costs.

The livestock sector has also been facing hard times this past year since basic inputs have increased more than 50 percent. According to private sources, more than 20 companies have been closed and 5,000 jobs have been terminated. Antonio Pedroza, President of the National Council of Animal Nutrition and Balance Food Manufacturers, stated the industry continues to see decreases in their profit margins. Mexico is the fourth largest producer of animal feed in the world, behind the United States, China, and Brazil.

Similarly, food companies went through a rough period during the second quarter of the year due to high grain prices; a trend that will continue for the rest of the year. Another factor that concerns some companies, such as Bachoco (poultry products), Bimbo (bakery and bread products) and Gruma (tortilla and corn dough), is the price of energy, which could also affect their results in the following quarters.

DRY BEANS

A month after the Government of Mexico (GOM) announced the import tariff rate quota of 100,000 metric tons (MT), the SE stated that only 19,200 MT have been authorized. As of July 29, 2008, there was still 80,300 MT available by dry bean importers under this TRQ. As mentioned earlier, this measure allows importers to import dry beans free of import tariff duties from MFN countries. Under the measure, importers are allowed to import dry beans from July 15 to October 31 on an annual basis. The idea is to allow (until the GOM stops the decree) the same amount of dry beans without paying the import duty of 125 percent in order to guarantee an accessible price for dry beans.

WHEAT

MY 2007/08 production forecast figures has been kept unchanged at 3.59 MMT. Attractive prices in foreign markets are also helping to entice producers to consider bringing back idle wheat lands. Despite an increase in the cost of inputs, such as certified grain seeds and the elevated cost of electricity for water pumping, total Mexican wheat production forecast for MY 2008/09 is maintained at 3.89 MMT. The increase is due to expanded area planted that has been aided by the implementation of a GOM project intended to increase production and take advantage of high international prices.

Imports for MY 2007/08 and MY 2008/09 forecast remains unchanged at 3.4 MMT, similar to the previous year's revised estimate. As previously reported, this decrease is driven by the GOM's intention to increase production of soft wheat, which is more suitable for bakery purposes. In the past, Mexico imported more soft wheat, but they are trying to take advantage of high international prices. Nevertheless, the United States and Canada will continue to be the main wheat suppliers to Mexico. Prices, undoubtedly, will play a large role in deciding the source and amount of imports. Exports have been kept unchanged.

RICE

The MY 2007/08 production estimate remains the same based on the fact that an increase in planted area has fueled production. As previously reported, the once idle lands devoted to rice production are being brought back into production. Moreover, beneficial weather has been constant in most producing regions, and at this point, the only current constraint is the possible presence of pests. However, in past seasons, Southern Mexican rice producers have suffered unfavorable harvesting conditions, such as floods, in ready to harvest fields. Pests and fungus caused by excess humidity have also resulted in lower yields.

The rice production forecast for MY2008/09 remains unchanged from previous reports. Rice production has been enticed by the fact that rice production in Mexico, which was generally viewed as a non-profitable activity, is more profitable with current high international prices. The application of better technology and favorable financing has promoted the competitiveness of rice producers, such as the use of hybrid seeds.

Imports for MY 2007/08 remain unchanged based on the fact that private sources state that most of the importers have already purchased rice for the year. Sources point out that any increase in imports would be generated from self-service chain stores and packing companies, which would primarily focus on milled rice. MY 2008/09 import levels remain unchanged. Nevertheless, Mexico will remain an important market for U.S. rice. Exports are kept unchanged.

PS&D CORN

PSD Table (1000 HA) (1000 MT) (MT/HA)									
Corn Mexico	2006			2007			2008		
	2006/2007			2007/2008			2008/2009		
	Market Year Begin: Oct 2006			Market Year Begin: Oct 2007			Market Year Begin: Oct 2008		
	Annual Data Displayed		New Post Data	Annual Data Displayed		New Post Data	Annual Data Displayed		July Data
Area Harvested	7,375	7,375	7,375	7,400	7,400	7,350	7,450	7,450	7,450
Beginning Stocks	2,707	2,707	2,707	3,084	3,079	3,079	3,184	2,839	2,959
Production	22,350	22,354	22,354	22,500	22,530	22,650	23,000	22,750	23,000
MY Imports	8,944	8,526	8,526	9,700	10,800	10,100	10,500	11,400	10,500
TY Imports	8,944	8,526	8,526	9,700	10,800	10,100	10,500	11,400	10,500
TY Imp. from U.S.	8,893	8,526	8,526	0	10,800	10,100	0	11,400	10,500
Total Supply	34,001	33,587	33,587	35,284	36,409	35,829	36,684	36,989	36,459
MY Exports	217	208	208	100	170	170	100	200	170
TY Exports	217	208	208	100	170	170	100	200	170
Feed Consumption	15,100	14,700	14,700	16,200	17,600	16,900	17,000	18,100	17,100
FSI Consumption	15,600	15,600	15,600	15,800	15,800	15,800	16,000	16,000	16,000
Total Consumption	30,700	30,300	30,300	32,000	33,400	32,700	33,000	34,100	33,100
Ending Stocks	3,084	3,079	3,079	3,184	2,839	2,959	3,584	2,689	2,889
Total Distribution	34,001	33,587	33,587	35,284	36,409	35,829	36,684	36,989	36,459
Yield	3.0	3.0	3.0	3.0	3.0	3.082	3.0	3.0	3.087

PS&D SORGHUM

PSD Table (1000 HA) (1000 MT) (MT/HA)									
Sorghum Mexico	2006			2007			2008		
	2006/2007			2007/2008			2008/2009		
	Market Year Begin: Oct 2006			Market Year Begin: Oct 2007			Market Year Begin: Oct 2008		
	Annual Data Displayed		New Post Data	Annual Data Displayed		New Post Data	Annual Data Displayed		July Data
Area Harvested	1,595	1,595	1,595	1,750	1,750	1,700	1,800	1,800	1,750
Beginning Stocks	553	553	553	217	245	245	417	245	245
Production	5,810	5,810	5,810	6,300	6,300	6,100	6,000	6,450	6,200
MY Imports	1,954	1,882	1,882	800	1,800	1,000	1,500	1,850	1,300
TY Imports	1,954	1,882	1,882	800	1,800	1,000	1,500	1,850	1,300
TY Imp. from U.S.	1,954	1,882	1,882	0	1,800	1,000	0	1,850	1,300
Total Supply	8,317	8,245	8,245	7,317	8,345	7,345	7,917	8,545	7,745
MY Exports	0	0	0	0	0	0	0	0	0
TY Exports	0	0	0	0	0	0	0	0	0
Feed Consumption	8,000	7,900	7,900	6,800	8,000	7,000	7,500	8,200	7,300
FSI Consumption	100	100	100	100	100	100	100	100	100
Total Consumption	8,100	8,000	8,000	6,900	8,100	7,100	7,600	8,300	7,400
Ending Stocks	217	245	245	417	245	245	317	245	345
Total Distribution	8,317	8,245	8,245	7,317	8,345	7,345	7,917	8,545	7,745
Yield	4.0	4.0	3.64	4.0	4.0	4.00	3.0	4.0	3.54

PS&D DRY BEANS

PSD Table (1000 HA) (1000 MT) (MT/HA)									
Beans Mexico	2006			2007			2008		
	2006/2007			2007/2008			2008/2009		
	Market Year Begin: Jan 2006			Market Year Begin: Jan 2007			Market Year Begin: Jan 2008		
	Annual Data Displayed		New Post Data	Annual Data Displayed		New Post Data	Annual Data Displayed		July Data
Area Harvested	0	1,660	1,660	0	1,480	1,465	0	1,560	1,340
Beginning Stocks	0	65	65	0	213	213	0	75	50
Production	0	1,331	1,331	0	1,105	1,005	0	1,200	1,120
MY Imports	0	129	129	0	90	90	0	100	150
TY Imports	0	129	129	0	90	90	0	100	150
TY Imp. from U.S.	0	105	105	0	73	85	0	80	140
Total Supply	0	1,525	1,525	0	1,408	1,308	0	1,375	1,320
MY Exports	0	12	12	0	18	18	0	10	10
TY Exports	0	12	12	0	18	18	0	10	10
Feed Consumption	0	0	0	0	0	0	0	0	0
FSI Consumption	0	1,300	1,300	0	1,315	1,240	0	1,330	1,250
Total Consumption	0	1,300	1,300	0	1,315	1,240	0	1,330	1,250
Ending Stocks	0	213	213	0	75	50	0	35	60
Total Distribution	0	1,525	1,525	0	1,408	1,308	0	1,375	1,320
Yield	0.000	0.802	0.802	0.000	0.747	0.686	0.000	0.769	0.836

PS&D WHEAT

PSD Table (1000 HA) (1000 MT) (MT/HA)									
Wheat Mexico	2006			2007			2008		
	2006/2007			2007/2008			2008/2009		
	Market Year Begin: Jul 2006			Market Year Begin: Jul 2007			Market Year Begin: Jul 2008		
	Annual Data Displayed		New Post Data	Annual Data Displayed		New Post Data	Annual Data Displayed		July Data
Area Harvested	570	570	570	722	677	722	680	680	769
Beginning Stocks	312	312	312	414	340	340	414	444	444
Production	3,240	3,240	3,240	3,600	3,534	3,593	3,550	3,550	3,887
MY Imports	3,610	3,549	3,549	3,600	3,600	3,400	3,700	3,650	3,400
TY Imports	3,610	3,549	3,549	3,600	3,600	3,400	3,700	3,650	3,400
TY Imp. from U.S.	2,353	2,289	2,289	0	2,501	2,400	0	2,600	2,500
Total Supply	7,162	7,101	7,101	7,614	7,474	7,333	7,664	7,644	7,731
MY Exports	548	536	536	850	570	600	700	664	700
TY Exports	548	536	536	850	570	600	700	664	700
Feed Consumption	100	200	200	100	200	189	100	190	190
FSI Consumption	6,100	6,025	6,025	6,250	6,260	6,100	6,350	6,390	6,401
Total Consumption	6,200	6,225	6,225	6,350	6,460	6,289	6,450	6,580	6,591
Ending Stocks	414	340	340	414	444	444	514	400	440
Total Distribution	7,162	7,101	7,101	7,614	7,474	7,333	7,664	7,644	7,731
Yield	6.0	6.0	5.6842	5.0	5.0	4.9765	5.0	5.0	5.0546

PS&D RICE

PSD Table (1000 HA) (1000 MT) (MT/HA)									
Rice, Milled Mexico	2006			2007			2008		
	2006/2007			2007/2008			2008/2009		
	Market Year Begin: Oct 2006			Market Year Begin: Oct 2007			Market Year Begin: Oct 2008		
	Annual Data Displayed		New Post Data	Annual Data Displayed		New Post Data	Annual Data Displayed		Jul Data
Area Harvested	52	52	52	55	55	70	55	55	75
Beginning Stocks	159	180	180	146	146	146	187	200	170
Milled Production	181	181	181	185	185	195	185	185	209
Rough Production	271	271	271	277	277	292	277	277	313
Milling Rate (.9999)	.6667	.6667	.6667	.6667	.6667	.6667	.6667	.6667	.6667
MY Imports	594	535	535	650	650	600	650	650	600
TY Imports	609	535	535	650	650	600	650	650	600
TY Imp. from U.S.	607	535	535	649	649	558	0	649	558
Total Supply	934	896	896	981	981	941	1022	1035	979
MY Exports	0	0	0	14	12	12	10	10	10
TY Exports	0	0	0	14	12	12	10	10	10
Total Consumption	788	750	750	780	769	759	812	825	825
Ending Stocks	146	146	146	187	200	170	200	200	144
Total Distribution	934	896	896	981	981	941	1022	1035	979
Yield (Rough)	5.2115	5.2115	5.2115	5.0364	5.0364	4.1714	5.0364	5.0364	4.1733