USDA Foreign Agricultural Service
GAIN Report
Global Agriculture Information Network

Template Version 2.09

Voluntary Report - Public distribution

Date: 12/4/2007

GAIN Report Number: MX7085

Mexico

Grain and Feed

DRY BEANS UPDATE

2007

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Report Highlights: The elimination of tariffs on dry beans under NAFTA is not expected to have a major impact on the Mexican dry bean market as sufficient Mexican stocks and higher international prices are expected to limit demand for imported beans. The forecast for Mexico's MY 2007/08 dry bean production has been lowered due, in part, to successful conversion programs that help farmers switch to more profitable crops. Despite this lower production figure, increased production in MY 2006/07 increased October stocks to 163,000 MT, allowing the MY 2007/08 import estimate for dry beans to be reduced to 110,000 MT, slightly lower than the previous year's level.

Includes PSD Changes: Yes
Includes Trade Matrix: No
Annual Report
Mexico City [MX1]
[MX]

PSD Table									
Country							Mexico		
Commodity: Beans							(1000 HA)(1000 MT)(MT/HA)		
	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	10/2005		10/2006	10/2006		10/2007	10/2007
Area Harvested	0	1296	1296	0	1680	1700	0	1640	1590
Beginning Stocks	0	448	448	0	65	65	0	65	163
Production	0	874	874	0	1260	1360	0	1230	1180
MY Imports	0	117	117	0	110	111	0	135	110
TY Imports	0	117	117	0	110	111	0	135	110
TY Imp. From U.S.	0	113	0	0	105	105	0	125	105
Total Supply	0	1439	1439	0	1435	1536	0	1430	1453
MY Exports	0	14	14	0	10	13	0	5	5
TY Exports	0	14	14	0	10	13	0	5	5
Feed Consumption	0	0	0	0	0	0	0	0	0
FSI Consumption	0	1360	1360	0	1360	1360	0	1380	1380
Total Consumption	0	1360	1360	0	1360	1360	0	1380	1380
Ending Stocks	0	65	65	0	65	163	0	45	68
Total Distribution	0	1439	1439	0	1435	1536	0	1430	1453
Yield	0	0.674383	0.674383	0	0.75	0.8	0	0.75	0.742138

DRY BEANS

Production

The production and harvested area estimates for MY 2007/08 have been revised downward and are now estimated at slightly less than 1.2 million tons. The change is due to a reduction in planted area, primarily attributed to a shift from dry beans to corn production, due to higher corn prices. Although this shift was expected to some degree, it is now reported to be higher than originally estimated. An additional factor in the reduction of planted area has been the continuation of a Government of Mexico (GOM) conversion program, which works to move less productive hectares into forage crops as well as malting barley (see MX7024). In Zacatecas, for example, growers planted 561,570 hectares of dry beans in the 2007 spring/summer crop cycle, which is seven percent lower than the same cycle a year ago or approximately 41,000 hectares. The possibility of better monetary returns has spurred the shift to other crops. In the case of barley, gross returns are approximately 9,240 pesos/MT (U.S. $847/MT), considering yields of 3.3 MT/ha and a farm-gate price of 2,800 pesos/MT. It compares positively to black bean production, where Zacatecas growers are receiving 650 pesos/MT and yields are approximately 0.69 MT/ha, which would produce a gross return of 4,485 pesos/MT (U.S. $412.00/MT). For MY 2006, FAS/Mexico has raised the estimates for production and harvested area based on the most recent SAGARPA data.

Zacatecas is Mexico's largest producer of black beans which are consumed primarily in the southern third of the country. Much of the production in Zacatecas is grown on small plots, with approximately 80,000 farmers growing beans on only 4-10 hectares. According to official sources, Zacatecas production is expected to reach 296,000 MT in the 2007 spring/summer crop cycle and is broken down into approximately 80 percent blacks and the rest, colored beans ("flor de mayo" and "flor de junio"). However, bean quality has been reported as less than average due dry conditions, which have stressed the bean crop. Given the importance of the state's production, there are a number of programs in place in Zacatecas to assist producers, not only through the conversion program, but also aimed at improving the varieties and efficiency of those producers who continue to plant dry beans. Official sources have stated that in the last couple of years, more than 100,000 hectares of dry beans have been "converted" to other crops in Zacatecas. As a result of this GOM conversion program, dry bean production is now moving into the eastern regions of the state and into San Luis Potosi, which has surpassed Chihuahua as the third largest production state in Mexico. In terms of better production practices, a number of examples assist, such as SAGARPA providing a new variety of black beans, called "Black Zacatecas". This variety is expected to replace "black bola" in the next crop season and is similar to the T-39 hybrid variety. Reportedly, SAGARPA, through the Agricultural Research Institute (INIFAP), is also working on a better black variety; similar to the more valued consumer preferred black beans. USDA is also sponsoring jointly with SAGARPA a program that seeks to find more profitable and efficient growing practices as well as alternative uses and markets for dry beans.

In Durango, the second most important dry bean state, growers planted approximately 21,000 fewer hectares of dry beans in the 2007 spring/summer crop cycle compared to the same time last year. Reportedly, the lost hectares were planted with corn, oats and wheat. SAGARPA estimates Durango's production will be approximately 154,000 MT for the current harvest, compared to 199,000 MT in the 2006 harvest. The majority of the crop was pinto variety. Growers in Durango are producing a new pinto bean, "Saltillo", which has good drought resistance. The "Pinto Saltillo" seed was provided by the GOM as a part of the "Bean Reorganization Program" at a very low cost to encourage producers to sow this variety. Through this program, the GOM has continued to support bean farmers by offering certified seeds, subsidies for the adoption of improved machinery/technology (i.e., combines and packing plants), reduced diesel prices, and PROCAMPO supports (See MX7024). SAGARPA is also attempting to eliminate black bean production from the state and focus on pinto production. Private sources have stated this program has been successful as 60 percent of pinto hectares have been planted with "Pinto Saltillo" and "Pinto Villa." Bean quality has been reported as good. Similarly, in the city of Guadalupe Victoria, the construction of a cleaning facility was recently completed, which was built under the government-financing scheme (See MX7024). However, it is still pending operational approval.

In Chihuahua, another important dry bean state, production of dry beans has followed the same pattern seen in Zacatecas and Durango. Planted area was reduced to 84,000 hectares for the 2007 spring/summer crop cycle versus 99,700 hectares from the previous season. This decrease reflects a switch to corn as a result of good weather conditions and the GOM conversion program. Initially, timely early rains encouraged growers to plant corn, but when weather conditions changed, growers planted oats instead. During the last part of the planting season (July), beans were finally planted. According to private industry sources, Chihuahua has produced a good corn, oats, and dry bean crop this year. Similarly, the dry bean quality is very good. Also, INIFAP has provided "Pinto Saltillo" seed to the Chihuahua growers since this variety has better drought resistance. It is expected that plantings of this variety will increase in the next few years.

In San Luis Potosi, now the third most important dry bean state, 123,830 hectares were planted during the 2007 spring/summer crop cycle. It should be noted that San Luis Potosi is the only state, among the main producing states, that increased its planted area compared to the same season a year ago. As already mentioned, part of the Zacatecas planted area has been pushed into San Luis Potosi. SAGARPA estimates this state will produce approximately 86,400 MT for the current harvest, compared to the original forecast of 92,580 MT, due to dry weather conditions. San Luis Potosi has a small irrigated area, but it has primarily been a dry land producer. The area is marked by rocky thin soil, arid conditions, and inadequate weed control. The majority of San Luis Potosi's production is colored beans ("flor de mayo", "flor de junio" and bayos).

Production Policy

On November 14, 2007, SAGARPA announced the program to support dry bean farm-gate prices for the 2007 spring/summer cycle. This program was established in CY 2003 to support bean growers in Zacatecas, Durango, Chihuahua, and San Luis Potosi (see MX7024 & MX6019). This year, the program will pay 5.5 pesos/kg (U.S. $ 0.51/kg) and will support 113,000 MT. This volume represents nearly 17 percent of the production in the main producing states. Through this program, dry beans are delivered to private warehouses, and the established price is paid (i.e. 5.5 pesos/kg) in full to the producer. According to official sources, the program will have a budget of 460 million pesos this year (roughly U.S. $42 million), and it will ease the transition of NAFTA's trade opening in 2008.

Consumption

Consumption estimates for MY 2007/08 remain unchanged at 1.380 MMT. This level, however, represents an increase of approximately one percent relative to last year and is primarily driven by population growth. According to the Support and Services for Agriculture and Livestock Marketing Agency (ASERCA), Mexico's per-capita consumption of dry beans has decreased approximately 20 percent in the last 20 years. Therefore, on November 14, 2005, the Secretary of Agriculture, Alberto Cardenas-Jimenez, announced 18 million pesos (U.S. $1.65 million) would be used to establish a National Campaign that would increase domestic bean consumption.

Trade

The elimination of tariffs on dry beans under NAFTA is not expected to have a major impact on the Mexican dry bean market, as some have feared, as sufficient Mexican stocks and higher international prices are expected to limit demand for imported beans. The MY 2007/08 imports estimate was revised downward to 110,000 MT, slightly lower than MY 2006/07 levels, in part because of the increase of the ending carryover stocks of MY 2006/07 which help assure sufficient domestic supply. However, the reduction in imports is also due to the price increase that has been seen in imported beans. According to trade sources, the price of U.S. beans has increased nearly 34 percent in the last twelve months (i.e. Michigan black and pinto bean varieties) due to smaller U.S. supplies, as higher prices in other crops such as corn have also led to dry bean planted area being reduced in the United States.

Import estimates for MY 2006/07 have been revised upward based on end of year data from the Secretariat of Economy (SE). Similarly, export estimates for MY 2006/07 have been revised upward based on SE's official data and trade sources.

Stocks

The estimated MY 2006/07 ending stocks were revised upward to 163,000 MT, due to higher-than-previously estimated domestic production. This increase in the carry over of MY 2006/07, in turn, helped reduce not only the import estimate, but also had a small affect on the ending stocks estimate of MY 2007/08, which increased slightly to 68,000 MT.