



Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Voluntary Report - public distribution

Date: 12/18/1998

GAIN Report #MX8156

Mexico

Grain and Feed

(Mexico Dry Bean Update 1998)

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Report Highlights:

FAS/Mexico has reduced its previous production forecast for MY 1998 because of late rainfall and the consequent late planting. Domestic consumption also was revised downward. Many households, particularly those among the low-income segment, have started replacing beans in their diets with relatively cheaper alternatives such as pasta or rice.

Includes PSD changes: Yes

Includes Trade Matrix: No

Unscheduled Report

Mexico [MX1], MX

(1000 HECTARES) (1000 MT)

PSD Table						
Country:	Mexico					
Commodity:	Beans					
		1996		1997		1998
	Old	New	Old	New	Old	New
Market Year Begin		10/1996		10/1997		10/1998
Area Harvested	2073	2073	1565	1673	1900	1990
Beginning Stocks	49	49	169	169	46	39
Production	1396	1396	900	956	1300	1170
TOTAL Mkt. Yr. Imports	108	108	400	140	220	150
Jul-Jun Imports	108	108	400	140	220	150
Jul-Jun Import U.S.	103	103	400	138	220	140
TOTAL SUPPLY	1553	1553	1469	1265	1566	1359
TOTAL Mkt. Yr. Exports	4	4	3	6	5	5
Jul-Jun Exports	4	4	3	6	5	5
Feed Dom. Consumption	0	0	0	0	0	0
TOTAL Dom. Consumption	1380	1380	1420	1220	1450	1260
Ending Stocks	169	169	46	39	111	94
TOTAL DISTRIBUTION	1553	1553	1469	1265	1566	1359

PRODUCTION

FAS/Mexico has decreased its MY 1998 (October-September) production estimate to 1.17 MMT because of late rains delayed planting. Despite this decrease, data indicate that the delayed onset of the normal summer rainy season did not reduce production as much as some industry source previously had expected.(less than 1.0 MMT). In addition, the absence of early frosts in the main producing areas of Zacatecas and Durango contributed to higher yields than expected in the preliminary forecast. FAS/Mexico has based this new forecast on a blend of data gathered from industry sources during a field visit to Zacatecas, which produces approximately 40 percent of the fall/winter harvest dry bean production, and the latest Secretariat of Agriculture, Livestock and Rural Development (SAGAR) data. As in the past, the fall-winter harvest is expected to account for approximately 70 percent of total dry edible bean production, with the remainder coming from the spring-summer harvest. Production estimates for MY 1997 reflects the latest SAGAR data.

We revised upward the estimated harvested area for MY 1998. The change reflects the most recent SAGAR data updated for the 1998 fall-winter harvest and preliminary planting intentions for the 1999 spring/summer harvest. Also, the estimated area harvested for MY 1997 was revised upward based on official SAGAR data.

This year Zacatecas growers planted 726,000 ha. of dry beans, which represents approximately 30 percent of the

Mexican dry bean area. Of that total, approximately 37,603 ha are irrigated, most of which growers were able to plant on time (March-May), and their yields averaged 1.75 MT/ha. Heavy rains in September and October, however, reduced the quality of those beans. Non irrigated production on the remaining 688,840 ha. can be divided into which was planted on time (335,000 ha) and that which was planted late because it was too dry (349,000 ha). Consequently, there was a wide range of crop maturity and quality. In general, the early planted fields had yields between 300-590 Kg/ha and poor quality. The late planted crop (August 10 - 29th) received good rainfall. Generally, growers sowed mainly Flor de Mayo and Flor de Junio beans because of their shorter growth period than black beans.

The average yield in Zacatecas for the 1998 fall/winter harvest is estimated at 0.454 MT per hectare, 2 percent higher than a year ago. Production in Zacatecas, however, is estimated to increase to 300,000 MT for the 1998 fall/winter harvest from 233,022 MT for the 1997 fall/winter harvest, a increase of approximately 29 percent. It should be noted that dry weather severely affected fall/winter 1997's harvest.

Production in Chihuahua, the second most important state, also is expected to increase due to increased planted area. Yields were also said to be slightly above average for the 1998 fall/winter harvest, averaging 0.558 MT/HA compared to 0.517 MT/HA one year earlier. Chihuahua produces an average of 83,000 MT of beans per year. For this year, however, annual bean production is expected to reach 100,000 MT. It is the main producer of Pinto beans.

Reportedly, growers were pleased with the 1998 fall/winter harvest in Durango, the third most important dry bean state. Durango's growing conditions this season were similar to those in Zacatecas. Consequently, SAGAR estimates Durango's production will be approximately 60,000 MT for the current harvest, compared to only 37,646 MT for the 1997 fall-winter harvest. More of 90 percent of Durango's total dry bean area Durango is non-irrigated.

On the other hand, industry sources estimate that the 1999 spring-summer harvest could produce approximately 370,000 MT of edible dry beans. In the previous crop, Mexico harvested 336,153 MT. This increase will be possible because of ample rainfall and water stored in the country's reservoirs. Growers traditionally plant their spring-summer crop from October to February and harvest it from March to July.

PRICES

In the domestic market the situation has changed significantly with the dismantling of the National Company for the Distribution of Basic Foods, CONASUPO, (see MX 8141). As CONASUPO is getting out the market, the full liberalization of dry beans prices is taking place. Traditionally, CONASUPO used to set a floor price for dry beans and buy approximately 30 percent of the domestic crop, with the private sector marketed the other 70- percent. Currently, however, prices are determined by market forces. In Zacatecas, for example, even though 70-80 percent of the crop had been harvested as of December 11, trading has been light. Few black beans have been marketed because of a limited supply and the fact that farmers storing their crop in anticipation of higher prices have been the main factors leading light trading. Producers and private buyers set farmgate prices, which are fluctuating 4.5-6.0 pesos per Kg. for Flor de Mayo and Flor de Junio beans (approximately US\$0.18-0.27 per pound). At the same time, the price paid for black beans has been 7.0-7.2 pesos/Kg. (US\$0.32-0.33 per pound).

CONSUMPTION

This office revised sharply downward the estimate for dry bean consumption for MY 1998. According to industry specialists, consumer's loss of purchasing power due to higher inflation has led to decreased consumption of dry beans as a food staple. The private sector is currently expecting a 18 percent inflation rate for 1998, up from the government's official projection of 12 percent. At the same time, many households, particularly among the low-income segment, started replacing beans in their diets with relatively cheaper alternatives such as pasta or rice. For MY 1997 consumption was also revised downward reflecting more recent available information.

TRADE

We have decreased the import estimate for MY 1998 to 150,000 MMT, reflecting the sharp fall in domestic consumption. The peso also has decreased in value against the dollar over the past twelve months making imports less attractive. The Mexican currency slid from 7.92 pesos=US\$1.00 in December of 1997 to approximately 10.15 pesos=US\$1.00 by early December 1998. The import estimate for MY 1997 was revised downward sharply from 400,000 MT to 140,000 MMT based on SECOFI data (the Secretariat of Commerce and Industrial Development). Industry sources attribute the decrease to decreased domestic consumption. The export estimate for MY 1997 was revised upward reflecting SECOFI's information.

STOCKS

This office decreased estimated ending stocks for MY 1997 and MY 1998 because of lower than previously estimated imports.

POLICY

On January 1, 1994, under the NAFTA, Mexico converted its dry bean import licensing regime for the United States and Canada to a transitional tariff-rate quota (TRQ) whereby SECOFI auctions import certificates (*cupos*) which Mexican importers must have to import dry beans. According to SECOFI officials, in late January 1999, SECOFI will announce in the "*Diario Oficial*" (Mexican Federal Register) the auction to assign quota certificates to import dry beans from the United States. Officials also indicated that the auction might be more restrictive this year to keep speculators from using the TRQ — the maximum quantity that an importer could purchase might be reduced from 4,500 MT authorized in 1998 (see MX8001) to 2,000 or 3,000 MT in 1999.

For the United States in 1999, duty-free access to the Mexican market is set at 57,963 MT. The TRQ 3-percent compounded annually over the 15-year transition period starting in 1994 and ending in 2006. Over the first six years of the agreement, an aggregate 24 percent of this over-quota tariff will be eliminated. The remainder of the tariff will be phased-out over the rest of the transition period.