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Report Highlights:

High international commodity prices and government programs incentivizing small growers to produce basic grains are boosting Mexico's total grain production, particularly of rice and wheat. Feed grain demand is expected to continue growing in 2021 for use in the livestock and poultry sectors, although demand for grain for human consumption is forecast to grow more slowly as the Mexican economy recovers from the impacts of the COVID-19 pandemic. In late 2020, Mexico published a decree that calls for a transition away from the use of the use of glyphosate and genetically-engineered corn for human consumption by January 31, 2024. To date, no concrete details have been given regarding timelines for implementation or the extent to which this decree will impact Mexico's corn imports.

EXECUTIVE SUMMARY

High international commodity prices and government programs incentivizing small growers to produce basic grains (mainly rice and wheat) are the two major elements that are boosting the growth of Mexico's total grain production by approximately four percent in marketing year (MY) 2021/22. Overall feed grain demand is expected to continue growing steadily at approximately two percent in MY 2021/22. Corn continues to be the preferred feed grain in Mexico, given its nutritional characteristics. Meanwhile, demand for grain for human consumption is forecast to grow more slowly, around the level of population growth (one percent).

Mexico continues to be a major importer of basic grains. In MY 2021/22, imports are expected to continue their modest growth to meet growing demand for feed and food grains. The United States is likely to remain Mexico's principal supplier due to logistical advantages and existing business relationships, despite the fact that Mexico has diversified sources for some grains in the past several years. Accurate estimates for stocks are generally unavailable for Mexico and storage infrastructure is fairly limited. However, corn stocks are expected to decline in MY 2021/22, while stocks of most other grains are expected to increase around 28 percent.

On December 31, 2020, Mexico published a decree which announced a revocation of existing permits for genetically engineered (GE) corn, a halt to new authorizations for GE corn use, and a phase-out of GE corn for human consumption. The decree also calls for a phase-out of the use of glyphosate by replacing it with 'culturally appropriate alternatives' as defined in the decree. It sets the complete phase-out by January 31, 2024, almost a year before Mexico's current administration ends in December 2024. As it is still unclear when or to what extent this decree may impact Mexico's corn imports, import estimations in this report do not take into consideration implications of the decree.

WHEAT

Table 1: Mexico, Wheat Production, Supply, and Demand for MY 2019/2020 to MY 2021/2022

Wheat	2019/2020		2020/2021		2021/2022	
Market Year Begins	Jul 2019		Jul 2020		Jul 2021	
Mexico	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	590	590	550	555	0	585
Beginning Stocks	603	603	385	385	0	285
Production	3270	3270	3050	3000	0	3250
MY Imports	5080	5080	4800	4800	0	4900
TY Imports	5080	5080	4800	4800	0	4900
TY Imp. from U.S.	3855	3885	0	3530	0	3700
Total Supply	8953	8953	8235	8185	0	8435
MY Exports	1168	1168	600	600	0	650
TY Exports	1168	1168	600	600	0	650
Feed and Residual	200	200	200	200	0	300
FSI Consumption	7200	7200	7100	7100	0	7170
Total Consumption	7400	7400	7300	7300	0	7470
Ending Stocks	385	385	335	285	0	315
Total Distribution	8953	8953	8235	8185	0	8435
Yield	5.5424	5.5424	5.5455	5.4054	0	5.5556
(1000 HA) ,(1000 MT) ,(MT/HA)						

Production

Total Mexican wheat production for MY 2021/22 (July to June) is forecast at 3.25 million metric tons (MMT), with an estimated of 585,000 hectares (ha) of harvested area, approximately eight percent higher than the previous year's revised estimate. Favorable weather conditions in the key 2020/2021 fall/winter wheat production areas of Northwest Mexico (Sonora and Baja California) are the main reason for the increase. Industry and official sources state that favorable weather conditions, such as cool temperatures at night, positively benefited the planted area and yields in the main state of Sonora. For example, the cooler temperatures at the end of December 2020 in the Navojoa region, in southern Sonora, benefited the wheat fields. Cooler weather is important during the stage when wheat stems, or tillers, are developing, as the plant requires lower temperatures at its growth stage to obtain optimal development.

Farmers from the state of Sonora in the north often choose between growing safflower and wheat. Many report that even though safflower requires less water than wheat, its price and sale are not always guaranteed. As a result, almost half of farmers decide to plant wheat because its sale is more assured in that area.

Wheat production in Mexico continues to be spread throughout the country, with the largest producing states being Sonora, Baja California and Guanajuato, which together account for approximately 76 percent of total wheat production.

The most relevant change during the 2020/21 fall/winter crop cycle is the shift from bread wheat back to durum-type wheat, called "*cristalino*" in Mexico, in the states of Sonora and Baja California. Official sources estimate that approximately 1.737 MMT cristalino wheat will be produced, while 1.513 MMT will be bread wheat. This represents a reversal of the amounts of cristalino vs. bread wheat produced in MY 2019/20 but a return to the average levels of both types of wheat produced in previous years.

According to the National Chamber of the Wheat Milling Industry (CANIMOLT), the main reasons for the shift from bread wheat back to cristalino are last year's market distortions caused by the federal government's Guarantee Price support program (see Policy and Support Programs section below). Producers shifted from producing cristalino wheat to bread wheat in MY 2019/20 to take advantage of the set price per ton of wheat offered by the government program. However, the shifts generated by the program resulted in an oversupply of approximately 300,000 MT of bread wheat in the states of Sonora and Baja California. The oversupply then created serious logistic limitations and made bread wheat uncompetitive in the major consumption centers in central and northern Mexico. Transporting bread wheat from production areas in Sonora to places such as Puebla and Mexico City triggered serious logistical bottle necks and generated high transport costs. For both Mexico City and in much of northern Mexico, it is logistically easier to use imported bread wheat.

Producers report that cristalino wheat is more disease resistant, has higher yields, and requires less water than bread wheat. Additionally, producers feel that there are more varied markets for cristalino, which can be used domestically, be exported, or also be used for animal feed. Thus, bread wheat production was less attractive for producers in MY 2020/21 than expected, despite the Guarantee Price support program, resulting in a return to more normal levels of cristalino production.

The total wheat production for MY 2020/21 (July to June) was revised slightly downward to 3.0 MMT reflecting the most recent data from Mexico's Secretariat of Agriculture and Rural Development (SADER). This data includes final data for the 2019/20 fall/winter crop cycle, as well as updated information of the 2020 spring/summer crop cycle as of January 31, 2021.

Consumption

Wheat consumption for human, seed and industrial use (FSI) is expected to increase modestly (approximately 1.0 percent) in MY 2021/22, driven primarily by population growth.

Wheat is considered the second most important cereal in the diet of Mexicans. Wheat constitutes 40 percent of the total expenditure of Mexican households on cereals and provides 10 percent of the total calories in their diet.

According to CANIMOLT, the wheat industry suffered severe consequences due to the effects of the COVID-19 pandemic. As a result of the pandemic restrictions, the wheat industry has seen an average five percent decrease in sales at traditional bakeries. While the sale of shelf stable products increased (sale of cookies was up 2 percent; snacks 2 percent; pasta 0.4 percent; and other products one percent), this increase did not make up for the loss of sales to restaurants, hotels, and institutions in CY 2020. As a result of decreased sales, Mexico currently has a surplus of both wheat and flour. Also, CANIMOLT indicated that the average consumption per capita per year declined from 40.4 kilos per person in 2019 to 39.1 kilos per person in 2020 because of lowered purchasing power resulting from the recession of the Mexican economy during the pandemic. While wheat milling industry output grew an average 4 percent every year before the pandemic, it did not increase in 2020.

The Mexican industry is concerned that consumption could further decline in the future, as the government and public health organizations have proposed several new campaigns to fight the high rates of obesity and diabetes in Mexico. Additionally, new front of pack nutritional labeling regulations that went into effect in October 2020 could also discourage the consumption of pre-packaged bread products. The new labelling regulation requires black hexagonal warning signs on the front of food and beverages stating if products contain "too much sugar," "too much fat," or "too many calories."

Feed consumption of wheat is expected to increase to 300,000 MT in MY 2021/22, reflecting the relatively affordable cost of wheat compared to other alternatives such as the recent high corn futures prices. According to CANIMOLT, there is a market niche for wheat feed consumption in the pork sector, in which products from animals fed with wheat are exported to Asian markets such as Japan and South Korea. Given these factors, total consumption is expected to increase slightly to 7.470 MMT in MY 2021/22 compared to the last marketing year.

Throughout Mexico, there are currently 86 wheat mills owned by eleven major companies. Some of these mills continue to modernize with more efficient equipment while older mills are being replaced. Some plants are installing new mechanized equipment for grinding, some of which can transform the wheat from almost 30 railroad hoppers into flour in 24 hours. However, traditional milling processes with certification are also being preserved. Installed processing capacity of wheat

mills in Mexico is of 10.3 MMT of wheat per year (with 320 days per year), although currently only about 6.76 MMT of this capacity is in use.

Trade

For MY 2021/22, total imports are expected to increase slightly to 4.9 MMT. This increase assumes an economic recovery following the severe decline in the Mexican economy due the COVID-19 pandemic which resulted in lowered purchasing power and a reduced demand for wheat products in MY 2020/21.

According to the National Statistics and Geography Agency (INEGI), Mexico's 2020 GDP contracted to the lowest level since the Great Depression. Due to the grave economic effects of the COVID-19 pandemic and a lack of governmental economic support for individuals or businesses, the economy contracted 8.5 percent. However, economists note that smaller contractions in quarters prior to COVID-19 were also observed, mainly due to austerity measures implemented by the Lopez Obrador administration. Agriculture was the only sector that registered growth, at two percent, mainly due to its designation as an essential service during the pandemic and the record level of exports to the United States of high value fruits and vegetables.

According to the World Bank, Mexico's economy will recover from its decline in 2020 with a forecasted growth rate of 3.7 percent in 2021. This growth is expected to come from a continued increase in Mexican exports to the United States and growing certainty from application of the renewed USMCA.

Despite Mexico efforts to diversify its sources of wheat, the United States continues to be the largest supplier of wheat to Mexico with approximately 76 percent of the total imported volume, followed by Canada with 15 percent, the Black Sea regions with 6 percent, and France with 3 percent. Private analysts expect that trend to continue in MY 2021/22. In addition to price considerations, which are central for mills' purchasing decisions, other influencing factors include the wheat's protein content and homogeneity of shipments. Millers note that different sections of a single shipment of U.S. wheat can have very different protein levels. On the other hand, protein levels in shipments from many other origins are more uniform.

Mexican exports, particularly of cristalino wheat for use in pastas, are expected to increase to 650,000 MT for MY 2021/22, due to the higher domestic production of this variety in states such Sonora and Baja California. Mexico's largest markets continue to be Turkey, Venezuela, and Algeria, though Italy and Guatemala have been important historically.

Stocks

Stocks are expected to increase to 315,000 MT in MY 2021/22, based on the projected increase in domestic production. Given the availability of wheat from a wide variety of origins, industry sources indicate that millers generally do not feel the need to store large volumes of wheat. Estimated stock for MY 2020/21 was adjusted downward to 285,000 MT reflecting slightly lower than estimated domestic production.

CORN

Table 2: Mexico, Corn Production, Supply, and Demand for MY 2019/2020 to MY 2021/2022

Corn	2019/2020		2020/2021		2021/2022	
Market Year Begins	Oct 2019		Oct 2020		Oct 2021	
Mexico	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	6621	6621	7250	7140	0	7300
Beginning Stocks	5160	5160	3515	3515	0	2265
Production	26658	26658	27800	27000	0	28000
MY Imports	16526	16526	16500	16500	0	16800
TY Imports	16526	16526	16500	16500	0	16800
TY Imp. from U.S.	14628	14628	0	0	0	0
Total Supply	48344	48344	47815	47015	0	47065
MY Exports	1029	1029	900	900	0	900
TY Exports	1029	1029	900	900	0	900
Feed and Residual	25600	25600	25600	25600	0	26000
FSI Consumption	18200	18200	18250	18250	0	18350
Total Consumption	43800	43800	43850	43850	0	44350
Ending Stocks	3515	3515	3065	2265	0	1815
Total Distribution	48344	48344	47815	47015	0	47065
Yield	4.0263	4.0263	3.8345	3.7815	0	3.8356
(1000 HA) ,(1000 MT) ,(MT/HA)						

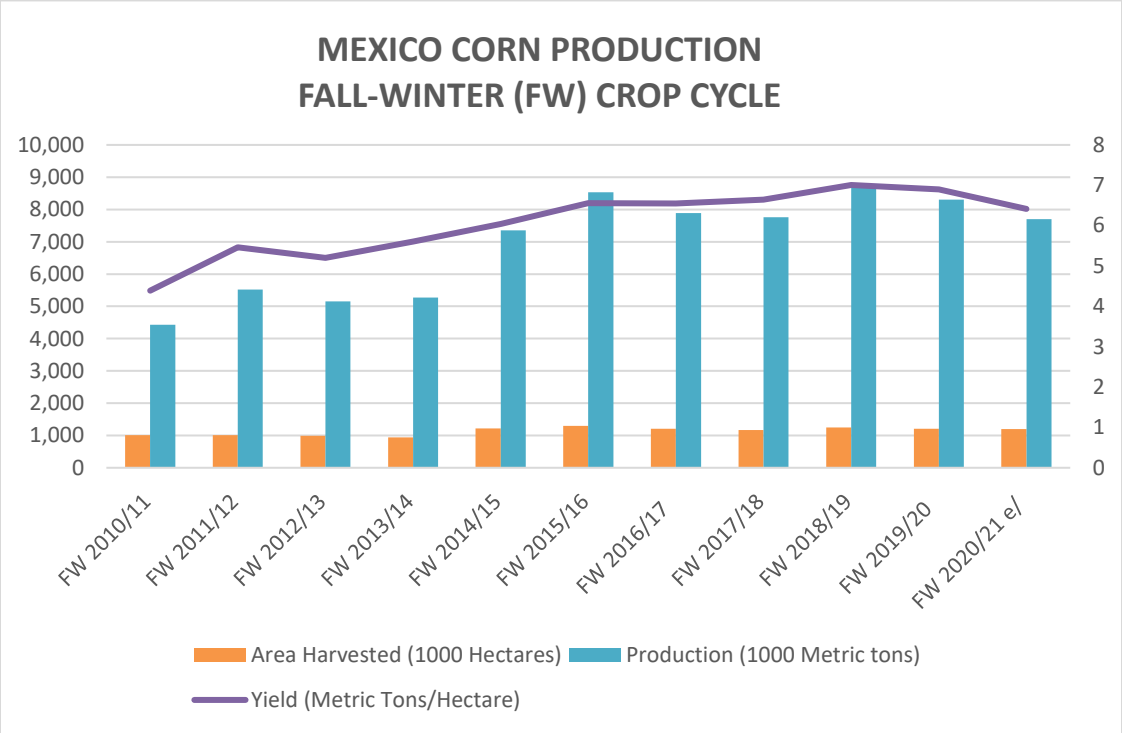
Production

Mexico's corn production forecast for MY 2021/22 (October to September) is 28.0 MMT, with an estimated 7.3 million hectares (ha) of harvested area, assuming normal weather conditions (i.e., adequate moisture levels). Private sources expect corn harvested area will remain essentially unchanged compared with the average over the last five years. They note that cultivable corn area in Mexico has practically reached its limit. Consequently, the only options to increase planted area of corn or other basic grains are reducing livestock or forest areas, which are highly unlikely.

Post's total corn production estimates for MY 2020/21 were revised downward from the USDA/Official estimate to 27.0 MMT, due to more complete data from SADER as of January 31, 2021. Corn production for the current 2020/21 fall/winter crop cycle is estimated at 7.7 MMT, which is approximately 7.3 percent lower than the same crop cycle of the previous year. This expected reduction is due to adverse weather conditions in the main producing states, such as frost and low temperatures in the north of Tamaulipas and little availability of water for irrigation in the Sinaloa dams.

In Sinaloa, as of February 20, 2021, around 452,000 hectares had been planted, equivalent to 94.7 per cent of the 477,000 hectares forecast to be planted, with an expected production of 5.0 MMT. If this volume is achieved, it would reflect a 13 percent reduction compared to the previous year's cycle and a 17.4 percent reduction compared to the record harvest of 6.06 MMT reached in the 2015/16 fall/winter crop cycle.

Figure 1: Mexican Corn Production in Fall/Winter Crop Cycle, 2010-Present



e/ Estimated by FAS/Mexico
Source: FAS/Mexico with information from SIAP/SADER

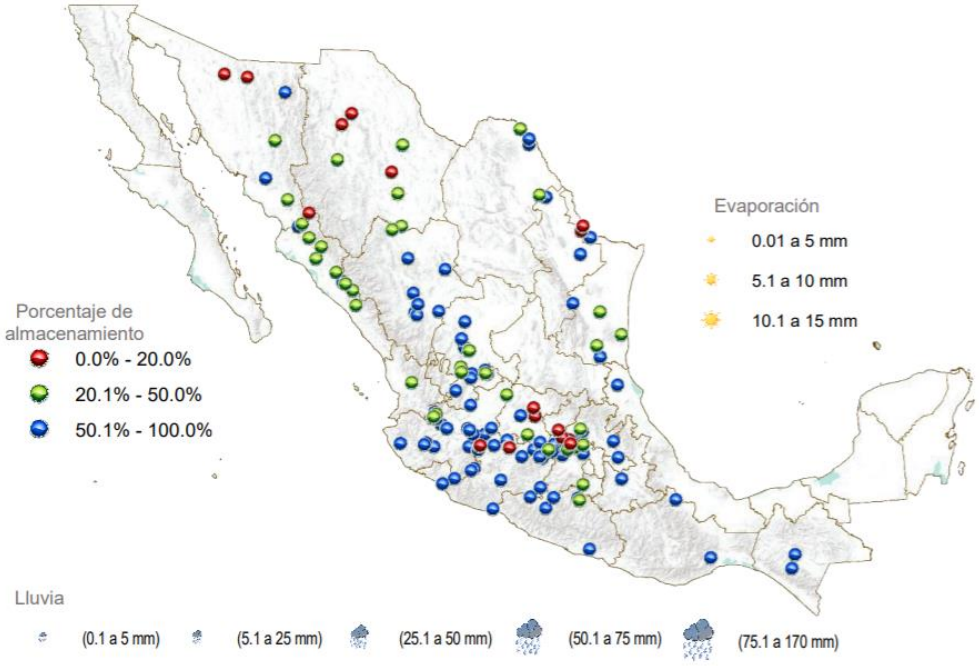
Decreased water availability for irrigation may impact production levels this year. Currently, the system of dams in Sinaloa is at 27.5 percent of its water storage capacity, compared to 68.7 percent on the same date last year. In general, the state of Sinaloa suffered a 55 percent reduction of its agricultural water reserve from the previous year despite a slight increase in planted crops in the fall/winter 2020/21 crop cycle.

According to private sources, the severe drought that began in 2020 in Northern Mexico shows no sign of abating. Farmers face a grim scenario as already below average level water reservoirs are depleted, and the federal government refuses to budge on austerity measures that have cut agricultural support programs. Further, the rapidly contracting economy has softened demand. In the state of Sonora, for example, 30,000 hectares of farmable land has been abandoned. Reportedly, farmers are awaiting a natural disaster declaration from the federal government that would entitle farmers to access emergency funding. Meanwhile, the government of the state of Chihuahua declared a state of emergency in December 2020 for 48 of its 67 municipalities; however, resources are not yet available.

Available information from the National Water Commission (CONAGUA) shows the current status of the volume and percentage of storage of dams for agricultural use (Figure 2). According to this information, as of January 26, 2021, the availability of water in storage dams for irrigation at the national level was 46,657.5 cubic hectometers (hm^3). This is 16,912.3 hm^3 less than the same date in 2020. Mexico's southern region recorded the highest percentage of storage on that date with 42.4 percent and the central region the smallest with 18.8 percent. Dams in Luis Donaldo Colosio, Sinaloa, and Plutarco Elias Calles, Sonora, presented the lowest percentages of storage with less than

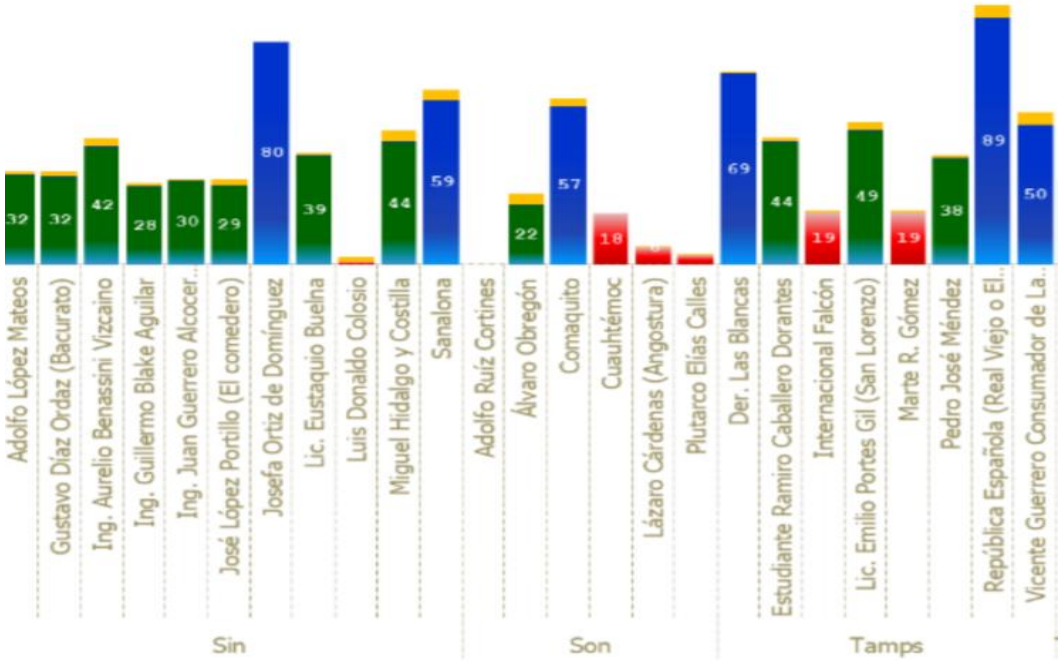
10 percent of capacity (see Figure 3). Sinaloa and Sonora will produce approximately 71 percent of the total corn production of the 2020/21 fall/winter crop cycle. Harvest in these states is expected to take place in May and June.

Figure 2: Status of Water Availability in Dams for Agricultural Use



Source: SIAP/SADER

Figure 3: Percentage of Total Water Storage Available in Sinaloa, Sonora, and Tamaulipas (as of 01/26/2021)



Source: SIAP/SADER with CONAGUA data

Additionally, the frosts and low temperatures (-2 to -7°C) that occurred in the north of Tamaulipas in February 2021 affected the 60,000 hectares of corn planted in the 2020/21 fall/winter crop cycle. Field evaluations are still being conducted to determine the percentage of partial and total damage in the crops. However, preliminary reports from private sources indicate that it may only be necessary to reseed 20 to 40 percent of that area. Damage to production, while still serious, could be less than initially feared, with some estimates suggesting that corn production in Tamaulipas could reach around 600,000 - 700,000 MT instead of the 953,000 MT that was initially estimated. Tamaulipas accounts for three percent of Mexico's total corn production.

Mexico is the seventh largest corn producer in the world, with approximately 2.5 percent of global corn production. Corn continues to be grown throughout the year during two seasons: spring/summer (April-March) and fall/winter (October-September). Approximately 72 percent of Mexican corn is obtained from the spring/summer season on average.

Corn is still the largest crop in Mexico in terms of production and consumption. Production in Mexico is diverse, from large-scale and irrigated commercial operations to very small farms that grow local varieties on rain-fed plots for subsistence. Despite its relevance as the main crop, several factors continue to prevent an increase of corn production (as well as other coarse grains and cereals) in Mexico. The main restriction is low productivity.

The two main producing states in Mexico are Sinaloa and Jalisco, which produce mainly white corn. However, the characteristics of these two states are very different. Sinaloa cultivates white corn during the fall/winter crop cycle and depends almost completely on irrigation, while Jalisco grows white corn during the spring/summer crop cycle, with more than 90 percent of its production being rain-fed.

Approximately 90 percent of Mexico corn production continues to be white corn, despite several attempts at conversion schemes (i.e. support programs) that the Mexican government has implemented to convince farmers to plant yellow corn or other crops in recent years.

The average yield for the MY 2021/22 corn crop in Mexico is forecast at 3.836 MT/ha, which is higher than the yield expected in the current MY 2020/21 crop (3.781 MT/ha), as stronger demand and high corn prices could encourage investment in yield-boosting inputs. In addition, the lower yields reached in MY 2020/21 were due to the very unfavorable weather conditions noted above. However, yields continue to vary considerably throughout Mexico depending on the technology used. Sinaloa and some regions in Chihuahua, for example, have yields similar to those obtained in the United States due to the advanced farming technology used in those states. However, some sources note that production costs in some of these northern regions of Mexico are still too high to effectively compete with U.S. farmers.

Consumption

For MY 2021/22, total corn consumption is forecast to increase approximately 1.1 percent compared to the previous year's estimate. This increase is expected to be driven by population growth (around 1.0 percent) and relatively slight growth in the Mexican livestock and poultry sectors. As noted

previously, Mexico's economy is projected to recover in 2021 (3.7 percent) after last year's severe decline due to the adverse impacts of the COVID-19 pandemic.

For feed consumption, corn grain is fed to livestock and poultry in its original form either by itself or in combination with supplements in compound feed. According to private sources, the animal feed industry is expected to grow between one and two percent in 2021.

The poultry sector continues to be the major user of feed grains in Mexico (mainly corn). According to the National Union of Poultry Farmers (UNA), the Mexican poultry industry grew around 3.0 percent in 2020 and this trend is expected to continue in 2021 albeit at a slower pace (i.e., one percent). UNA reports that feed represents approximately 65 percent of the total cost of production of broiler meat in the last few years. Chicken meat and egg consumption is also increasing, due to their affordability in an increasingly price sensitive market. These proteins also enjoy a growing reputation with Mexican consumers as healthier alternatives to beef or pork.

In 2021, FAS/Mexico estimates chicken meat production to grow 1.5 percent year-over-year, reaching 3.78 million MT, on increased operational efficiencies, growing flock size, and improved genetics. Poultry producers are heavily reliant on U.S. yellow corn imports for feed. Skyrocketing corn futures prices and tightening oilseed supplies are expected to have limited impact on business costs related to feed, particularly if prices stabilize by the second quarter of 2021 as some analysts in Mexico predict.

Mexico's cattle, beef, swine, and pork production are also projected to grow in 2021, despite ongoing pandemic emergency measures hampering domestic demand from the hotel, restaurant, and institutional (HRI) foodservice industry. Mexico's beef production grew in 2020 despite public health measures taken to curb the spread of the novel coronavirus (COVID-19). Mexican beef is finding new market niches in the United States thanks to consumer trends, which increasingly favor leaner cuts and smaller portion sizes that Mexico can provide. Japan and South Korea continue to highly value the value added and low cost of Mexico beef and products, including offal. In the case of swine, Mexico's production for 2021 stands at 20.8 million head. Mexico's swine producers continue to vertically integrate production chains, invest in technology, and implement biosafety measures to reduce swine mortality at farms. The domestic swine industry continues to grow to satisfy retail consumers' demand for pork, as shrinking consumer incomes push them to seek out lower cost animal proteins.

Rocketing corn prices

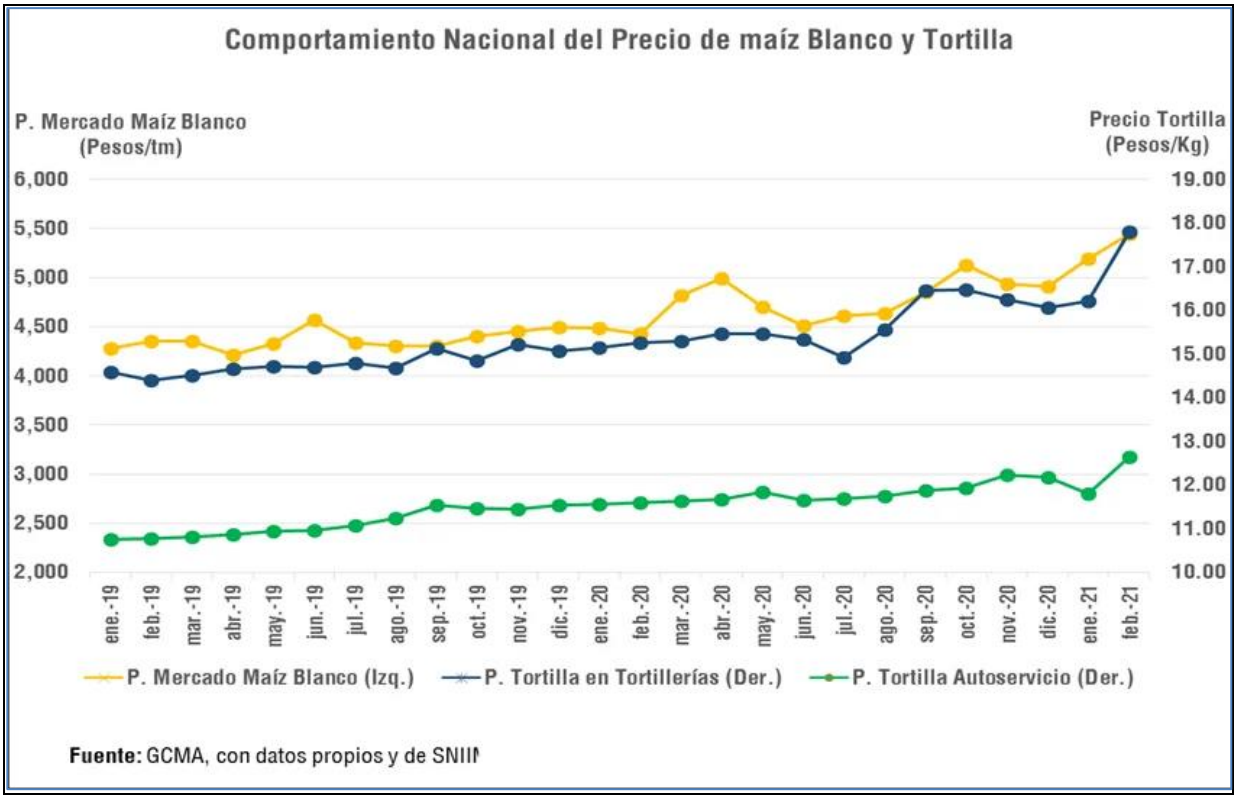
International corn prices have at their highest level since the first half of 2013. To date in 2021, corn prices have averaged USD 205.6/MT, benefiting Mexican farmers through higher sale prices. However, specialists and producers believe that high prices are a risk for Mexican consumers, as it impacts the price of the tortilla, a staple for Mexican diets.

In Mexico, corn accounts for a large share of the population's caloric intake and is used to make tortillas and other corn-based foods, a practice that dates back thousands of years. For this reason, corn is primarily considered a food grain rather than a feed grain. Tortillas are a critical part of the basic food basket in Mexico and increases in their price are extremely sensitive politically. Tortilla makers in Mexico have indicated that they need to raise tortilla prices because of increases in corn

and input prices, such as gas, electricity, water, and freight. The Mexican Tortilla Council warned that the price per kilo of tortillas could continue to rise unless there was prompt government intervention through the implementation of support programs.

According to data from the National Market Information System of the Ministry of Economy (SNIIM), and based on information from a private consulting firm (GCMA), the first effects of the rise in the price of corn and the various inputs used in the tortilla industry are reflected in the increase in prices observed so far in 2021. For example, from January to mid-February 2021, the market price of white corn rose 4.8 percent, while the price of tortillas from traditional tortilla makers increased by 9.8 percent and the tortilla price in self-service stores increased 7 percent. Year to date prices increases from February 2020 were 23 percent, 16.6 percent, and 8.9 percent, respectively. Corn and tortilla prices from January 2019 to February 2021 are shown in Figure 4.

Figure 4: White Corn and Tortilla Prices in Mexico

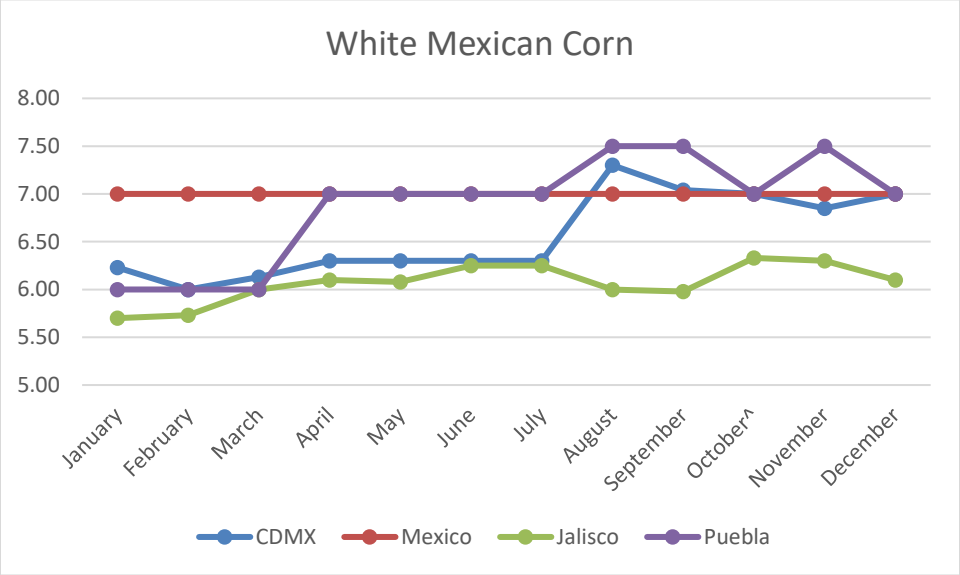


Average Monthly Wholesale Price for White Mexican Corn in 2020 (pesos per 50kg Bag)

Month	Mexico City	Mexico	Jalisco	Puebla
January	6.23	7.00	5.70	6.00
February	6.00	7.00	5.73	6.00
March	6.13	7.00	6.00	6.00
April	6.30	7.00	6.10	7.00
May	6.30	7.00	6.08	7.00
June	6.30	7.00	6.25	7.00
July	6.30	7.00	6.25	7.00
August	7.30	7.00	6.00	7.50
September	7.04	7.00	5.98	7.50
October	7.00	7.00	6.33	7.00
November	6.85	7.00	6.30	7.50
December	7.00	7.00	6.10	7.00

Source: National Service of Market Information (Servicio Nacional de Informacion de Mercados SNIIM-Economia)

Figure 5: Average Monthly Wholesale Price for White Mexican Corn per 50 KG Bag in 2020



Source: National Service of Market Information (Servicio Nacional de Informacion de Mercados SNIIM-Economia)

Trade

For MY 2021/22, total corn imports are forecast to increase approximately 1.8 percent over MY 2020/21 to 16.8 MMT, to match the relatively bullish demand for feed consumption. Mexico's corn exports are expected to remain unchanged at 900,000 MT in MY 2021/22, due to an oversupplied

and very competitive international market. Robust demand for corn as animal feed and industrial consumption has necessitated imports to supplement domestic production. Growth in feed use, particularly for the poultry sector, has been the major driver and has maintained corn import demand in the last few years. This trend is forecast to continue for the rest of MY 2021/22 to meet the growing demands of the animal feed and livestock sectors. Skyrocketing corn futures prices are expected to have limited impact on business costs related to feed, particularly if prices stabilize by the second semester of 2021 as some analysts in Mexico predict.

New Decree Calls for Prohibition of GE Corn

On December 31, 2020 Mexico published a final decree in its Federal Register (*Diario Oficial*) that calls for a phase-out of use of both glyphosate and genetically modified (GE) corn for human consumption in Mexico. The Mexican government has offered no details regarding the implementation of the decree or possible timelines for these changes. Additionally, no information has yet been given about how the Mexican government defines GE corn for human consumption and what, if any, corn-derived products might be affected. The majority of U.S. corn exports to Mexico is yellow corn destined for use in the livestock feed industry. U.S. yellow corn is also imported for use in the Mexican processing sector to make cereals, starches, and other processed products. Smaller amounts of U.S. white corn are exported to Mexico for food use.

Mexico is mostly self-sufficient in the production of white corn but will supplement its own production with imports of U.S. white corn as needed. A variety of corn-based products are also exported to Mexico. For more information, see GAIN Report MX2021-0003.

The vaguely-worded decree has generated across-the-board industry opposition plus intensive lobbying efforts aimed at the Mexican government to rescind the decree. The President of Mexico's National Agricultural Council (CNA) has stated publicly that Mexico's booming livestock sector could face a loss of competitiveness if the prohibition on GE corn is implemented, because of the sector's heavy dependence on imported yellow corn to feed poultry and livestock, nearly all of which is supplied from the United States. Several domestic agricultural groups and companies are currently working to file legal injunctions (*amparos*) against the decree.

Because of the lack of clarity regarding implementation timelines and scope of commodities and products potentially impacted by the decree, import estimations in this report do not take into consideration implications of the decree.

Stocks

Post's ending stocks for MY 2021/22 are forecast to decrease to 1.82 MMT, due to the increase in domestic consumption. The MY 2020/21 ending stock estimate has been revised downward from the USDA/Official estimate to 2.265 MMT, reflecting lower than previously estimated domestic production in this marketing year.

Policy and Agricultural Supports

The current administration of President Andres Manuel Lopez Obrador has continued implementing changes to Mexico's agricultural support system, with a focus on providing supports to poor small

farmers. Federal support to larger commercial operations have been substantially reduced or even eliminated. This new focus and the lack of support for commercial agriculture continues to generate frustration among medium and large producers. Several private and official sources concur that the single greatest factor affecting grain and oilseed production in MY 2021/22 and upcoming years is the cancellation of the main federal support programs for medium and large growers.

Among the eliminated programs in the 2020 Federal Expenditure Budget were the Marketing Incentives and Complementary Incentive to Target Income programs. Both of these were formerly combined using an approach called the Forward Contract Program (*Agricultura Por Contrato*, see MX2019-1132), in which the price agreed upon by the producer and buyer had to be greater than or equal to the futures price plus the minimum base. Although SADER signed an agreement in 2019 to raise the level of supports by 4.8 percent (see MX2018-2062), this program was still eliminated from the 2020 as well as 2021 official expenditure budget.

New Program Guidelines for Production for Wellbeing

On December 28, 2020, SADER published new operational guidelines for the Production for Wellbeing (*Produccion para el Bienestar*) program in the Federal Register. Production for Wellbeing is a direct support program for small and medium producers of corn, dry beans, bread wheat, rice, and other grains, with farms up to 20 hectares. The program's overall objective is to increase domestic grain production and to help small producers reach a higher level of food self-sufficiency. Producers registered under the previous Proagro or PIMAF (Incentives Program for Corn and Bean Producers) programs were automatically included in the new Production for Wellbeing system. The 2021 support amounts increased slightly compared with the previous year amounts:

Stratum Definition	Definition	Support per eligible hectare
Small Grower	Grower with up to 5 hectares, non-irrigated	2,000 pesos (100 USD)
Medium Grower	Grower with 5-20 hectares, non-irrigated or 5 hectares irrigated	1,200 pesos (60 USD)

According with the new operational guidelines of 2021, growers with more than 20 and up to 30 hectares of rainfed grains may be supported. The maximum amount of support will be equivalent to 20 hectares, as established by the program guidelines and according to budget sufficiency. For these growers, the support will be of 1,200 Mexican pesos per hectare (around 60 USD).

As of December 31, 2020, the expenditure of this program was 10.324 billion pesos (516.2 million USD), which represents practically one hundred percent of its total allocated budget. Of this total, 85.1 percent was for grain producers, 8.4 percent for coffee growers, and 6.5 percent for sugar cane producers. Of the total supports granted, 35.3 percent were to indigenous communities and around 60 percent of recipients are located in the South-Southeast states.

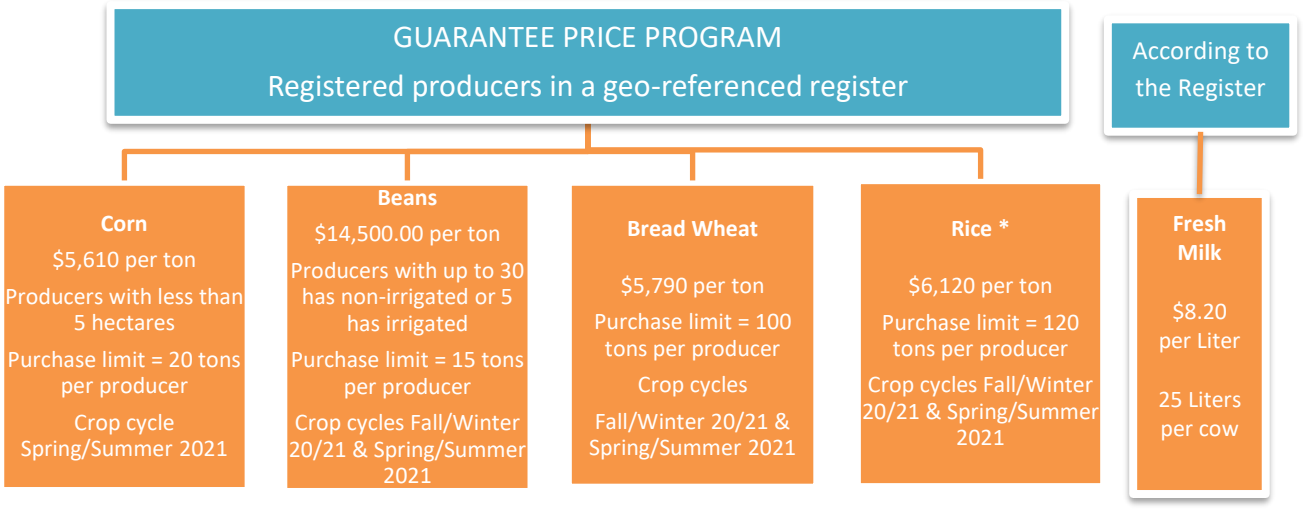
For 2021, a total of 13.5 billion pesos (approximately 675 million USD) will be available, an increase of 22.7 percent compared with last year's total budget. SADER states its goal is to benefit 2.12 million small and medium producers of basic commodities, 75 percent of which have less than five hectares of land.

Guarantee Prices Program

One of President López Obrador's signature programs is one to purchase five staple commodities from small farmers at guaranteed above-market prices, as promised during his presidential campaign. The new official guidelines were published on December 28, 2020. The program prioritizes small producers of corn, beans, bread wheat, rice, and fluid milk. The program prioritizes communities with less development, eliminate intermediaries through the direct purchase and commercialization of commodities, and promote self-sufficiency and food sovereignty. Mexico established a new government agency under SADER, called Food Security Mexico (*Seguridad Alimentaria Mexicana*, or SEGALMEX), to oversee the Guarantee Price program and to distribute the purchased commodities to poor Mexicans.

SEGALMEX was created by by merging Liconsa, the state-owned enterprise that distributes milk at subsidized prices to targeted beneficiaries, with Diconsa, the government organization that supplies basic subsidized grocery products to rural communities. As the implementing agency for the Guarantee Prices program, SEGALMEX centralizes both the purchase and distribution of commodities under the program. It is responsible for creating the lists of eligible producers, implementing the network of collection centers to receive the purchased commodities (corn and dry beans) and a payment system for producers (wheat and rice). SEGALMEX distributes the commodities it purchases through the Diconsa and Liconsa distribution centers and stores.

Figure 6: New Operational Rules for Commodities under Guarantee Price Program (prices in MXN)



*For rice eligible growers receive the full guarantee price for up to 120 MT and fifty percent of the guarantee price for the next 180 MT.
Source: FAS/MEXICO based on SADER information

On December 28, 2020, Mexico published updated Operational Rules for its Guarantee Price program for basic commodities. While the prices per ton of commodities remain unchanged this year, SADER made some changes in its Operational Rules. The new rules announced that small corn producers will receive a financial support of 150 pesos per ton (around 7.5 USD per MT) to transfer grain from their farms to collection centers, without exceeding the cost of transportation of 20 MT per cycle, which will be covered when the payment of the grain is made to the grower.

For wheat and rice, the Guarantee Prices are supported by incentives. Support for wheat will be granted to cover the difference between the guarantee price and the reference price. In the cases of wheat and corn from medium-sized producers, the purchase of a Risk Management Instrument (IAR, or hedging) will be required in accordance with the operational mechanics determined by SEGALMEX.

In order to regulate commercial processes, SEGALMEX may issue "marketing bases" for these grains. These Guarantee Prices, according to the agricultural crop cycle in which they apply, the surface limit, and the maximum volume to benefit each producer, are listed in the table below:

Product	Crop Cycle	Area Planted (Ha)	Guarantee Price or Incentive (Pesos per ton)	Maximum Volume per Producer
Corn (Medium Producers)	Fall/Winter 2020/21	Up to 50	Only Incentive	600 MT
Bread Wheat	Fall/Winter 2020/21 Spring/Summer 2021	--	5,790 pesos (289.50 USD)	100 MT
Durum Wheat (*Cristalino*)	Fall/Winter 2020/21	--	Only Incentive	150 MT
Rice	Fall/Winter 2020/21 Spring/Summer 2021	--	6,120 pesos (306 USD)	120 MT

Article 5 of the new Operational Rules states the incentive for medium corn producers, which is only for the acquisition of Risk Management Instruments (IAR, hedging) and only granted to producers with rainfed or irrigated lands with up to 50 hectares in property, who commercialize their production.

The incentives for medium corn producers in the Spring/Summer 2020 cycle will be covered with the 2021 budget. These incentives will be used for the acquisition of Risk Management Instruments in accordance with the respective Operational Rules.

In addition, SADER made changes to the purchase limits for bread wheat (*trigo panificable*) and rice programs. For bread wheat, Article 6 states that the Guarantee Price will be applied for bread wheat destined for the domestic milling industry and for certified seed in both agricultural cycles (Fall/Winter and Spring/Summer) and will be granted differentially as described below:

I. Modalities. If the reference price is greater than or equal to the guarantee price, the producer will only be eligible for the support determined for the acquisition of the IAR or

Hedging (Modality 1). If the reference price, which SEGALMEX will establish, is lower than the guarantee price, the producer will also be eligible for a supplement based on the difference between those prices (Modality 2).

II. Basic support: Up to 100 MT per eligible producer will receive the support determined for the acquisition of the IAR (Modality 1), or this support and the complement, based on the difference between the guarantee price and the reference price that SEGALMEX will establish (Modality 2).

III. Productivity support: After the first 100 MT per producer, the next 200 additional MT will receive Modality 1, the support that SEGALMEX determines for the acquisition of the IAR. Those who are in Modality 2 will receive the support that SEGALMEX determines for the acquisition of the IAR and also 50 percent of the basic support, established by the difference between the guarantee price and the reference price that SEGALMEX will establish.

IV. Reference price: The reference price will be defined when SEGALMEX declares, through a statement, the end of the commercialization period for each region or entity and its calculation will be carried out considering the possible values of the IARs, referenced to the future prices of the Chicago Stock Exchange (CBOT), the trading bases and market conditions prevailing in the harvest period in each region. The means of publication will be the official SEGALMEX page and emails to those involved.

The incentive for durum wheat (called *cristalino* in Mexico) is mentioned in Article 7 of the Operational Rules. For cristalino wheat destined for the domestic milling industry, up to 150 MT per producer will benefit only with the support determined for the acquisition of the IAR. This support will be only applied in Baja California, Sonora and the Bajío region (Guanajuato, Michoacan and Jalisco).

The same producer can receive the support described in Articles 6 and 7 at the same time.

For rice, eligible producers can receive the full guaranteed price for up to 120 MT. The next 180 MT will receive 50 percent of the guaranteed price. These two commodities (i.e., wheat and rice) are not be collected by SEGALMEX but rather passed directly to the beneficiary industry (miller).

In March 2020, SADER, through SEGALMEX, offered a minimum or floor price of 4,150 pesos per ton of corn for medium producers of white and yellow corn of up to 50 hectares of irrigated or non-irrigated plots. SEGALMEX paid the price differential for up to 600 tons per producer for the corn produced in the states of Sinaloa, Sonora, Tamaulipas and some regions of Chihuahua. However, this floor price support for medium corn producers was canceled in the federal budget of 2021.

According to available information from SADER up to December 31, 2020, the guarantee prices program benefited 93,698 producers, with a total amount of 7,400 billion pesos (370 million USD). The program collected 744,146 tons of corn and dry beans and 377 million liters of milk. In addition, supports were granted for 1.417 MMT tons of wheat and rice.

In 2021, the budget for the Guarantee Prices program will be 10.96 billion pesos (approximately 548 million USD) an increase of 9.6 percent compared with the expenditure budget allocated of 2020. The budget for the guarantee price support for milk farmers is separate and remains unchanged in 2021 with 1.769 billion pesos (around 88.5 million USD).

Fertilizer Program

In March 2019, SADER published guidelines for a fertilizer program that aims to increase the availability of fertilizers to improve the agricultural productivity of small farmers in economically marginalized areas. The fertilizer program had a budget of 1.3 billion pesos in 2020 (65 million USD). In the state of Guerrero, as of November 2020, 340,547 producers from 81 municipalities reportedly benefited from the program, with 520,239 hectares covered and 156,098 tons of fertilizer delivered.

In 2021, the program will have a budget of 1.9 billion pesos (95 million USD), which represents an increase of 46 percent compared to a year earlier. The program will be extended to farmers in the southern Mexican states of Campeche, Chiapas, Guerrero, Quintana Roo, Oaxaca, Tabasco, Yucatán and Veracruz. Small farmers will receive up to 450 kilograms of fertilizer per hectare, for up to three hectares per producer. To receive the benefits, small producers must cultivate priority crops (corn, beans, or rice) and be included in the SADER registry of Applicants and Beneficiaries.

SORGHUM

Table 3: Mexico, Sorghum Production, Supply, and Demand for MY 2019/2020 to MY 2021/2022

Sorghum	2019/2020		2020/2021		2021/2022	
Market Year Begins	Oct 2019		Oct 2020		Oct 2021	
Mexico	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	1378	1378	1300	1360	0	1420
Beginning Stocks	259	259	153	153	0	162
Production	4328	4328	4300	4500	0	4700
MY Imports	567	567	10	10	0	50
TY Imports (	567	567	10	10	0	50
TY Imp. from U.S.	567	567	0	0	0	0
Total Supply	5154	5154	4463	4663	0	4912
MY Exports	1	1	1	1	0	20
TY Exports	1	1	1	1	0	20
Feed and Residual	4900	4900	4300	4400	0	4500
FSI Consumption	100	100	100	100	0	100
Total Consumption	5000	5000	4400	4500	0	4600
Ending Stocks	153	153	62	162	0	292
Total Distribution	5154	5154	4463	4663	0	4912
Yield	3.1408	3.1408	3.3077	3.3088	0	3.3099
(1000 HA) ,(1000 MT) ,(MT/HA)						

Production

Total Mexican sorghum production for MY 2021/22 is forecast at 4.7 MMT, a marginal increase compared with the previous year's revised estimate. This increase is due to a slight expansion in area planted in Mexico's sorghum producing regions and assumes normal weather conditions. The

FAS/Mexico total sorghum production estimate for MY 2020/21 has been revised upward to 4.5 MMT based on updated SADER official data as of January 31, 2021. This increase is based on higher than expected planted area, according to the available data for the 2020 Spring/Summer crop cycle and the 2020/21 fall/winter crop cycle.

For MY 2021/22, yields are forecast to be 3.3 MT/ha, while the overall yield for the MY 2020/21 sorghum crop is also expected to reach approximately 3.3 MT/ha.

Mexico is the world's sixth largest producer of sorghum, with production spread throughout the country and two crops grown annually: a spring/summer cycle and a fall/winter cycle. The four states that account for approximately 68 percent of the spring/summer sorghum production are Guanajuato, Michoacán, Tamaulipas, and Sinaloa. Production during the fall/winter cycle occurs primarily in the states of Tamaulipas and Nayarit, and it is harvested May through July. Tamaulipas alone accounts for 75 percent of Mexico's fall/winter crop cycle, and only 22 percent of the fall/winter crop is irrigated.

Media reports following the frost and abnormal low temperatures in late February 2021 reported that sorghum production in the current 2020/21 fall/winter crop cycle had been completely destroyed in Tamaulipas, the main sorghum producing state in Mexico. However, industry sources indicate that the effects on the sorghum crop, while serious, were not as devastating as initially reported by the press. These contacts state that only about 20-40 percent of the total sorghum planting may need to be reseeded. While Tamaulipas usually produces approximately 1.8 to 2.0 MMT of sorghum, preliminary estimates suggest production this year could ultimately be reduced to 1.5 to 1.6 MMT of sorghum. Final estimates will be made at the end of the planting season. Additionally, contacts note that replanting will likely depend upon government support for additional seeds, and that lowered production estimates are due more to the lack of federal government supports and economic resources than to the freezing temperatures, as multi-year budget cuts have all but eliminated federal support for producers.

Industry contacts indicate that despite favorable farm gate prices, the potential threat of new outbreaks of the sugar cane aphid (SCA) could increase costs of production per acre due to the implementation of measures to control and mitigate it and could make sorghum an unattractive planting alternative in some traditional planting areas during MY 2021/22. In Guanajuato, for example, despite being one of the most traditional crops, private sources note farmers probably will not increase sorghum plantings in the 2021 spring/summer cycle because the concern of eventual new outbreaks of the SCA. Sorghum is a very traditional crop in the state and for many years, growers have focused on it as a primary option. However, during an SCA outbreak in the 2015 spring/summer crop cycle, growers became discouraged by the economic losses. Many growers switched from sorghum to corn at that time, a trend which is expected to continue this year. Industry contacts indicate that farmers are analyzing their production costs and market price conditions to make a final decision.

Consumption

Sorghum continues to be an important animal feed in Mexico, as good-quality sorghum has a nutritional feeding value that is roughly equivalent to that of corn and in some limited cases is preferred to corn. Sorghum can be processed to further improve its feed value, with techniques such

as grinding, crushing, steaming, steam flaking, popping, and extruding all used to enhance the grain for feeding. Sorghum is fed to laying hens and poultry, beef and dairy cattle, and hogs, as well as used in pet foods.

Due to the relatively bullish growth in demand for feed grains, total sorghum consumption is forecast to increase moderately to 4.6 MMT in MY 2021/22. Private sources indicate that sorghum consumption growth by the poultry, hog, beef, as well as animal feed industries will be moderate due to the expected economic recovery in 2021. The MY 2020/21 total consumption estimate has been revised upward based on official information. The Mexican animal feed industry grew by a preliminary estimate of 2.8 percent in 2020, despite challenges related to the coronavirus pandemic and volatility of the Mexican peso. According to the general director of Mexico's National Council of Balanced Feed Producers (CONAFAB), the growth rate outperformed the pessimistic predictions made earlier in the year. However, CONAFAB expects that the high prices of raw materials will keep the industry's growth under two percent in 2021.

In 2019 and 2018, the industry grew by over 4 percent, while in 2017 it grew by 3.3 percent. Preliminary estimates put total Mexican balanced feed production at 37.9 million tons for 2020, making Mexico the country with the fifth-largest feed industry, after China, the United States, Brazil, and India.

Mexico: Production of Feed Ingredients

Calendar Year (1000 Metric Tons)	2013	2014	2015	2016	2017	2018	2019	2020
Compound Feed Capacity	35,670	32,200	37,000	38,000	38,358	38,500	40,240	42,415
Total Compound Feed Produced	29,090	29,906	31,075	32,440	33,522	35,057	36,499	37,925
…by Integrated producers	18,055	18,535	19,123	20,011	20,735	21,204	22,220	23,213
…by Comercial producers	11,035	11,371	11,952	12,429	12,787	13,853	14,279	14,712
Marketing Year Feed Production by Animal Type (1000 Metric Tons)	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**
Poultry	14,484	15,040	15,523	16,151	16,462	17,118	17,592	18,093
Pork	4,600	4,630	4,801	5,024	5,286	5,554	5,942	6,358
Beef Cattle	3,360	3,399	3,469	3,571	3,710	3,881	4,034	4,168
Dairy Cattle	4,606	4,686	4,843	5,107	5,271	5,524	5,769	5,928
Aquaculture	124	172	283	297	345	378	409	439

Source: National Council of Manufacturers of Balanced Feed and Nutrition (CONAFAB, Consejo Nacional Fabricantes de Alimentos Balanceados y de la Nutricion)

One challenge created by the pandemic was the decline in tourism to Mexico, which led to a drop in the demand for meat by the HRI sector. However, the devaluation of the Mexican peso against the U.S. dollar throughout 2020 was a mixed blessing because while it made imported raw materials more expensive, Mexican meat was more competitive on the national market and exports were able to increase.

CONAFAB expects 2021 to be a difficult year, mostly because of "brutal" high prices for yellow corn and soybean meal, which represent 80 percent of the industry's costs. The prices of those

materials in central Mexico rose by 44 percent and 33 percent, respectively, between January 2020 and 2021. In addition, the value of the Mexican peso remains 7 percent below what it was in January 2020.

Trade

Total sorghum imports in MY 2021/22 are forecast at 50,000 MT, based on an expected increase in feed grain demand. The United States is expected to continue to supply virtually all these imports due access advantages through USMCA.

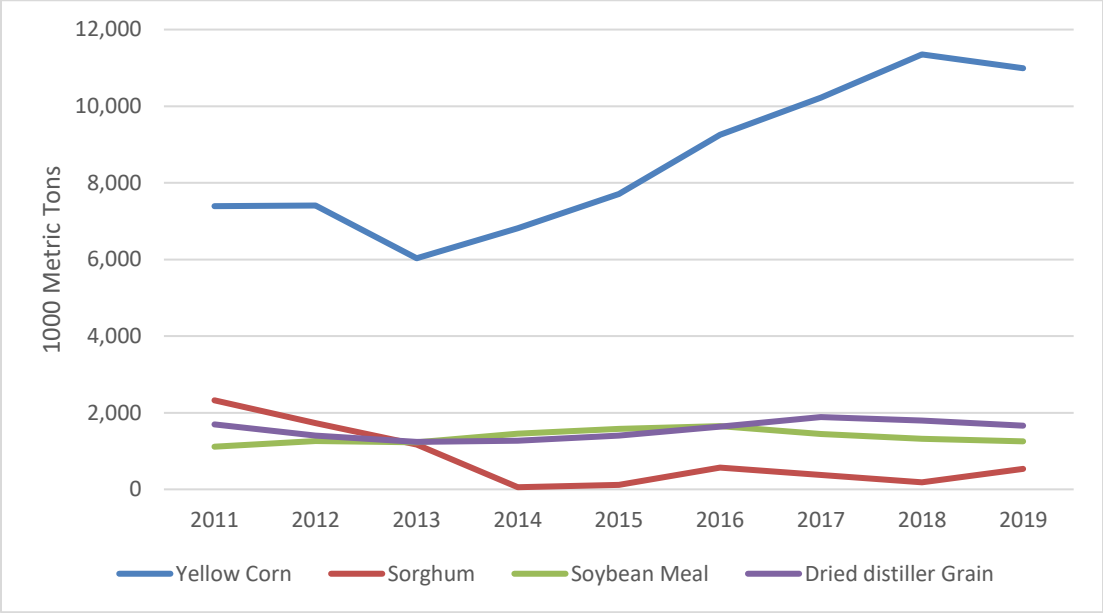
Sorghum exports are forecast to reach 20,000 MT in MY 2021/21 as a result of the new phytosanitary protocol for sorghum for animal feed signed between Mexico and China in October 2020. Mexico was previously only able to export sorghum to China for human consumption. China began talks with Mexico to diversify its sorghum sources amid escalating China-U.S. trade tariffs in 2019. Mexican analysts believe Mexico will be able to capitalize on increasing Chinese demand because of Mexico's strong transportation networks and port infrastructure and may ultimately be able to compete in volume with Argentina and Australia, China's other main sorghum suppliers. Although some private industry believes that sorghum export volumes to China could reach 50,000 and 100,000 MT by MY 2021/22, other sources state that the strict phytosanitary measures requested by the Chinese government diminish these possibilities to a lower level (20,000 – 30,000 MT). Some analysts predict that Mexican white corn farmers may take advantage of the new export protocol to shift acreage to sorghum in states such as Sinaloa. Mexican sorghum diverted to China would also reduce the amount available for use in Mexico's livestock industry, perhaps increasing the demand for U.S. sorghum imports.

Annual Imports of Main Raw Materials by the Feed Industry, 2011-2019 (000 Metric Tons)

	Yellow Corn	Sorghum	Soybean Meal	Dried distiller Grain
2011	7,389	2,324	1,114	1,692
2012	7,409	1,726	1,262	1,404
2013	6,031	1,167	1,231	1,239
2014	6,814	56	1,450	1,268
2015	7,706	120	1,575	1,405
2016	9,251	570	1,650	1,635
2017	10,224	377	1,443	1,887
2018	11,351	188	1,318	1,795
2019* *Preliminary	10,992	538	1,257	1,665

Source: National Council of Manufacturers of Balanced Feed and Nutrition (CONAFAB, Consejo Nacional de Fabricantes de Alimentos Balanceados y de la Nutricion)

Figure 7: Annual Imports of Main Raw Materials by the Feed Industry 2011-2019*



Source: CONAFAB *Preliminary

Stocks

Ending stocks are forecast to increase to 292,000 MT in MY 2021/22, due to the expected increase in domestic production. The USDA/Official ending stocks estimate for MY 2020/21 was revised upward based on higher production than previously expected.

RICE

Table 4: Mexico, Rice Production, Supply, and Demand for MY 2019/2020 to MY 2021/2022

Rice, Milled	2019/2020		2020/2021		2021/2022	
Market Year Begins	Oct 2019		Oct 2020		Oct 2021	
Mexico	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	39	39	44	47	0	52
Beginning Stocks	154	154	175	175	0	207
Milled Production	175	175	193	197	0	224
Rough Production	255	255	281	287	0	326
Milling Rate (.9999)	6870	6870	6870	6870	0	6870
MY Imports	803	803	800	800	0	800
TY Imports	843	843	800	800	0	800
TY Imp. from U.S.	547	547	0	0	0	0
Total Supply	1132	1132	1168	1172	0	1231
MY Exports	17	17	5	5	0	5
TY Exports	18	18	5	5	0	5
Consumption and Residual	940	940	960	960	0	975
Ending Stocks	175	175	203	207	0	251
Total Distribution	1132	1132	1168	1172	0	1231
Yield (Rough)	6.5385	6.5385	6.3864	6.1064	0	6.269
(1000 HA) ,(1000 MT) ,(MT/HA)						

Production

Mexican rice production for MY 2021/22 (October-September) is forecast to reach 326,000 MT (rough rice) due to additional harvested area in the southeast region (mainly Campeche, Tabasco and Chiapas), as well as in the state of Nayarit. This year's rough rice production level converts to 224,000 MT of milled rice. According to private sources, the main factor driving this increase in harvested area is the governmental support received by producers through the Guarantee Prices (see section Policy and Agricultural Supports section). As in the case of wheat, industry sources state that SADER, through the governmental agency SEGALMEX, continues to work with rice farmers and the rice milling industry to increase the volume of rice production.

Increased planting of certified long grain variety seeds and the use of new cultivation technologies based on the Brazilian model will also contribute to the production increase. The Mexican Rice Council (MRC) stated that the adoption of this new technological package in the last few years has allowed slight production and productivity increases in several planting areas. Nayarit continues to be the main rice-producing state, with approximately 33 percent of total national production, followed by Campeche with around 20 percent, Michoacan with around 13 percent, and Veracruz with 10 percent.

The total rice production estimate for the MY 2020/21 was adjusted upward to 287,000 MT rough production, reflecting higher than previously estimated harvest area and based on updated SADER data as of January 31, 2021.

Given that most rice production in the major growing regions is irrigated, average yields are expected to remain at approximately 6.3 MT/ha, with higher yields in the states of Michoacan and Morelos. Private sources point out that the application of the better technological package, the use of hybrid seed, and the governmental Guarantee Prices support program should promote the competitiveness of rice growers.

Consumption

Rice consumption is expected to continue its relatively steady growth, at slightly above the population growth rate. MY 2021/22 consumption is forecast at 975,000 MT, a 1.6 percent increase. According to MRC, overall per capita rice consumption remains low in Mexico (around 7.8 kg) compared to other Latin American countries. The main factor driving rice consumption in MY 2021/22 in Mexico continues to be population growth (1.0 percent). The Mexican market continues to be largely price driven.

After price, Mexican consumers place the highest value on rice appearance, specifically for whole rice, followed by favorite brands. Private sources also note that for families with less disposable income, the sharp decline in the economy and their purchasing power in 2020 caused by the COVID-19 pandemic forced them to shift from buying more expensive food products to lower priced rice. Although rice quality is a factor, rice remains a low-cost food staple for this segment of the population.

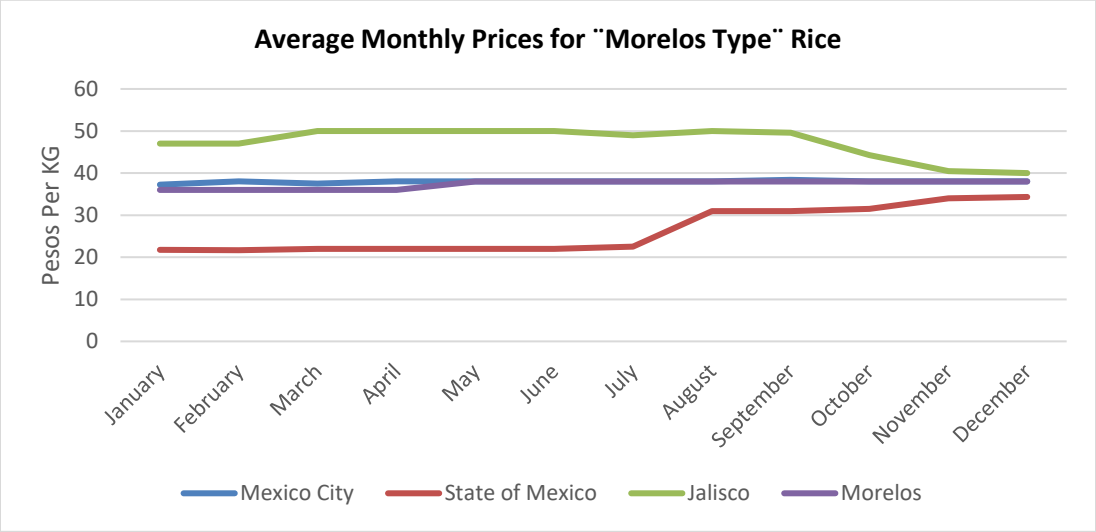
Wholesale Milled Rice Prices

The table and figure below show the monthly average wholesale prices of milled rice for the variety called “Morelos” per kilogram, from three states and Mexico City for the calendar year 2020. In this period, the average prices in these states and city observed an increase of approximately 6 percent as a result of increased domestic demand and high rice prices resulting from the COVID-19 pandemic. The overall price increase was mainly due to price increases in the state of Mexico, although there was a price reduction found in the state of Jalisco. The average price recorded in Mexico City and the state of Morelos remained relatively stable in 2020.

Wholesale Milled Rice Prices (2020)

Mexico´s Average Monthly Prices for ¨Morelos Type¨ Rice in Pesos per KG				
Month	**Mexico City**	**State of Mexico**	**Jalisco**	**Morelos**
January	37.25	21.75	47.00	36.00
February	38.00	21.67	47.00	36.00
March	37.50	22.00	50.00	36.00
April	38.00	22.00	50.00	36.00
May	38.00	22.00	50.00	38.00
June	38.00	22.00	50.00	38.00
July	38.00	22.50	49.00	38.00
August	38.00	31.00	50.00	38.00
September	38.40	31.00	49.60	38.00
October	38.00	31.50	44.25	38.00
November	38.00	34.00	40.50	38.00
December	38.00	34.33	40.00	38.00

Figure 8: Average Monthly Prices for “Morelos Type” Rice in 2020 by State



Trade

Rice imports are forecast to remain unchanged for MY 2021/22 at 800,000 MT as a result of higher domestic production and the relatively sluggish increase in domestic consumption, as discussed above. Similarly, the export forecast for MY 2021/22 remains unchanged at 5,000 MT.

Despite the fact that Mexico has diversified its suppliers over the past several years, importing rough rice from Paraguay and milled rice from Uruguay, Thailand, and Argentina, the MRC estimates that in MY 2021/22 Mexico will rely mainly on rice imports from the United States, mostly in paddy form. According to the MRC, segments of the Mexican rice market will continue to demand a product that is safe, reliable and of high quality, all attributes of U.S. rice.

Stocks

The MY 2020/21 ending stock estimate was revised slightly upward from the USDA/Official estimate due to higher than estimated domestic production. This is reflected in the upward adjustment for MY 2021/22 carryover as well.

For More Information

FAS/Mexico Web Site: We are available at www.mexico-usda.com.mx or visit the FAS headquarters' home page at www.fas.usda.gov for a complete selection of FAS worldwide agricultural reporting.

Report Number	Title	Dated Submitted
MX2021-0004	Grain and Feed Update	1/14/2021
MX2020-0047	Grain and Feed Update	9/04/2020
MX2020-0032	Grain and Feed Update	7/10/2020
MX2020-0015	Grain and Feed Annual	3/12/2020
MX2020-0004	Grain and Feed Update	1/13/2020

Attachments:

No Attachments