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Report Highlights:

Grain production is expected to have a mixed outlook in 2020. Total wheat and sorghum production will remain practically unchanged, while corn and rice production are forecast to increase due to higher planted area in marketing year (MY) 2020/21. However, the cancellation of federal commercialization support programs for medium and big grain growers has generated uncertainty regarding the planting intentions for the upcoming year. In MY 2019/20, imports are expected to continue their modest growth to meet growing demand for livestock feed. The United States is expected to remain Mexico's principal supplier due to logistical advantages and existing business relationships.

EXECUTIVE SUMMARY

Grain production is expected to have a mixed outlook in 2020. Total wheat and sorghum production will remain practically unchanged, while corn and rice production are forecast to increase due to higher planted area in marketing year (MY) 2020/21. However, the cancellation of federal commercialization support programs for medium and big grain growers has generated uncertainty regarding the planting intentions for the upcoming year.

Mexico will continue to be a major importer of basic grains. In MY 2019/20, imports are expected to continue their modest growth to meet growing demand for livestock feed. The United States is expected to remain Mexico's principal supplier due to logistical advantages and existing business relationships.

Although accurate estimates for stocks are generally unavailable for Mexico and storage infrastructure is limited, grain stocks are expected to decline in MY 2020/21.

WHEAT

Table 1: Mexico, Wheat Production, Supply, and Demand for MY 2018/19 to MY 2020/21

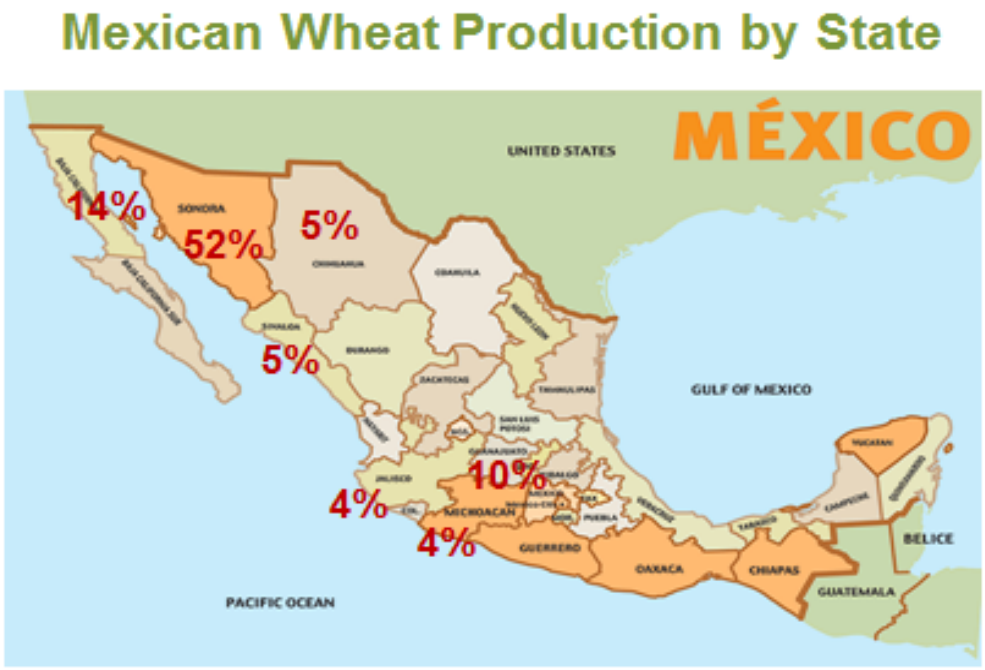
Wheat	2018/2019		2019/2020		2020/2021	
Market Begin Year	Jul 2018		Jul 2019		Jul 2020	
Mexico	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	540	540	593	595	0	605
Beginning Stocks	768	768	603	603	0	593
Production	3000	3000	3215	3290	0	3300
MY Imports	4861	4861	5200	5200	0	5200
TY Imports	4861	4861	5200	5200	0	5200
TY Imp. from U.S.	3349	3349	0	4320	0	4300
Total Supply	8629	8629	9018	9093	0	9093
MY Exports	526	526	1000	1000	0	750
TY Exports	526	526	1000	1000	0	750
Feed and Residual	300	300	200	200	0	200
FSI Consumption	7200	7200	7300	7300	0	7400
Total Consumption	7500	7500	7500	7500	0	7600
Ending Stocks	603	603	518	593	0	743
Total Distribution	8629	8629	9018	9093	0	9093
Yield	5.5556	5.5556	5.4216	5.5294	0	5.4545
(1000 HA) ,(1000 MT) ,(MT/HA)						

Production

Total Mexican wheat production for MY 2020/21 (July-June) is forecast at 3.3 million metric tons (MMT) with an estimated 605,000 hectares (ha) of harvested area, which is practically unchanged compared to the previous marketing year. Private sources estimated a regular crop cycle for this marketing year, assuming normal weather conditions. 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 2019/20 fall/winter crop cycle has been the shift from the durum-type wheat called "cristalino" to bread wheat in the states of Sonora and Baja California. In Sonora, for example, the planted area of bread wheat reached approximately 89,000 ha, which is practically double the area planted last year. Sonora has approximately 220,000 ha of wheat planted for this marketing year, of which approximately 60 percent is cristalino compared to 74 percent during the same crop cycle last year. In the case of Baja California, the planted area of bread wheat increased approximately 18 percent compared with the same crop cycle during the previous year.

Figure 1: Mexican Wheat Production by State



Source: U.S. Wheat Associates

In general, private and official sources state that the weather conditions have been relatively normal in the states of Sonora and Baja California, with enough cool temperatures for the proper wheat development in the 2019/2020 fall/winter crop cycle. Weather in the flowering months of February and March will be key for producers. However, in Sonora the wheat planted area was reduced due to the insufficient water availability, particularly in the Mayo Valley. As a result, the total planted area for grains was reduced approximately 25,000 ha out of a total of 92,000 ha that is regularly planted in the Mayo Valley. As a result, several Mayo Valley farmers decided to shift from cristalino wheat to corn and safflower. Corn has higher yields and farmers see it as an attractive alternative. Farmers planted approximately 50,000 ha of corn in the 2019/20 fall/winter crop cycle instead of cristalino wheat, according to private sources.

Private sources estimated that Sonora yields will be 6.9 MT/Ha of cristalino wheat and 6.7 MT/ha for bread wheat if normal weather conditions continue during the rest of the 2019/20 fall/winter crop cycle. At a national level, yield is expected to reach 5.45 MT/Ha, which is slightly lower than the previous marketing year.

In bread wheat-producing states of the central plateau (mainly Guanajuato), market analysts estimate that area planted could remain unchanged or increase slightly compared with previous years. They state growers in that region have alternative to plant other crops such as corn (which also is under the guarantee prices program) or barley. Although there is no guarantee price for barley cultivation, it has lower irrigation requirements than wheat. Private sources note that another factor that could prevent further planting of bread wheat in this region is the lack of sufficient bread wheat seed due to the higher demand in the northeast region of the country. In general, private sources estimate a good quality for the bread wheat assuming favorable weather conditions and enough water availability.

The total wheat production for MY 2019/20 (July to June) was revised slightly upward to 3.28 MMT reflecting a slightly higher harvested area than initially estimated and the most recent data from SADER. This data includes final data for the 2018/19 fall/winter crop cycle, as well as updated information of the 2019 spring/summer crop cycle as of as of January 31, 2020.

Consumption

Wheat consumption for human, seed and industrial use (FSI) is expected to increase modestly (approximately 1.4 percent) in MY 2020/21, driven primarily by population growth. Similarly, consumption increased in MY 2019/20 as bread product sales recovered following a consumption slowdown in MY 2018/19, attributed in part to advertising campaigns advocating a reduction in caloric intake. Continued declines are also possible, as the government and public health organizations launch new campaigns to fight obesity and diabetes.

At the same time, new labeling regulations that could be in place by the end of 2020 could also discourage the consumption of pre-packaged bread products. The new labelling regulation includes “Front of Pack Warning Signs” (i.e. black labels on food and beverages warning that products contain “too much sugar”, “too much fat” or “too many calories”). Additionally, feed consumption of wheat is expected to continue to decline, reflecting the relatively the higher cost of wheat compared to other alternatives such as corn. Given these factors, total consumption is expected to increase only slightly to 7.6 MMT compared to the last marketing year.

New products perceived as being healthier than traditional alternatives continue to make headway in Mexico. For example, consumption of whole grain and organic baked goods continues to rise. Though these types of products are fairly niche and geographically limited to the major cities, they do represent one of the fastest-growing subsectors of consumption.

According to data from the National Chamber of the Wheat Mill Industry (CANIMOLT), wheat is considered the second most important cereal in the diet of Mexicans, who consume an average of 53.9 kg per capita per year. Reportedly, wheat constitutes 40 percent of the total expenditure of Mexican households on cereals and provides 10 percent of the total calories in their diet.

Mexico has several distinct wheat markets. In the southeast of Mexico and the Bajio region (i.e. states of the central plateau), millers and bakers typically use domestic bread wheat, both due to favorable logistics and regional bread preferences as well as the higher quality due to its protein content. In central Mexico, including the Mexico City metropolitan area, the baking industry

prefers high-protein flours, which facilitate production of the crusty, hollow breads consumers in this region prefer. In both Mexico City and in much of northern Mexico, it is logistically easier to use imported wheat.

Throughout Mexico, there are currently 86 mills owned by eleven major countries. These mills continue to modernize with more efficient equipment and older mills are being replaced. Installed processing capacity is of 32,2450 MT/day, though only around 26,560 MT/day of this capacity is in use. According to CANIMOLT, fours mills of one of the most important wheat miller companies are currently in construction.

Trade

For MY 2020/21, total imports are expected to remain without change at 5.2 MMT. The slowdown in the Mexican economy, the consequent lower purchasing power, and the relatively bearish demand of wheat products are the main reasons for the stability in wheat imports for this marketing year.

Mexican Gross Domestic Product (GDP) shrank 0.1 percent in 2019 from the previous year and recorded its worst results since the 2009 crisis (when the GDP fell 5.04 percent), according to seasonally adjusted data published by the National Institute of Statistics and Geography (INEGI). The International Monetary Fund (IMF) recently estimated that the Mexican economy stagnated last year due to structural and cyclical factors related in part to the investment shortage. According to the IMF, “the uncertainty about the direction of economic reforms and policies in Mexico probably contributed to the slowdown in real GDP growth." The IMF projects a recovery in Mexico's growth of one percent in 2020 as conditions normalize, including ratification of the United States-Mexico-Canada Agreement (USMCA). However, several private sources lowered their growth forecast for the Mexican economy in 2020 from 1.4 to 0.6 percent. These sources state their forecasts incorporate the continuing weakness of economic activity due to low levels of public investment and deterioration in private sector confidence. The private sources noted that domestic demand looks to remain weak, although a slight recovery is expected abroad, which would be driven by the manufacturing sector

Despite Mexico efforts to diversify its sources of wheat, the United States continues to be the largest supplier of wheat to Mexico, followed by Canada. Private analysts expect that trend to continue in MY2020/21. In addition to price considerations, which are central for mills’ purchasing decisions, other influencing factors include the 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 decrease to 750,000 MT for MY 2020/21, due to the lower 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 738,000 MT in MY 2020/21, based on the projected decrease in exports and relatively sluggish increase in domestic consumption. 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 the MY 2019/20 was adjusted upward to 588,000 MT reflecting higher than previously estimated domestic production.

CORN

Table 2: Mexico, Corn Production, Supply, and Demand for MY 2018/19 to MY 2020/21

Corn	2018/2019		2019/2020		2020/2021	
Market Begin Year	Oct 2018		Oct 2019		Oct 2020	
Mexico	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	7200	7198	6800	6650	0	7300
Beginning Stocks	5649	5649	5089	5160	0	2960
Production	27600	27671	25000	25600	0	27100
MY Imports	16658	16658	17500	17300	0	18250
TY Imports	16658	16658	17500	17300	0	18250
TY Imp. from U.S.	15773	15733	0	0	0	0
Total Supply	49907	49978	47589	48060	0	48310
MY Exports	718	718	700	600	0	600
TY Exports	718	718	700	600	0	600
Feed and Residual	25900	25900	26500	26500	0	27300
FSI Consumption	18200	18200	18000	18000	0	18250
Total Consumption	44100	44100	44500	44500	0	45550
Ending Stocks	5089	5160	2389	2960	0	2160
Total Distribution	49907	49978	47589	48060	0	48310
Yield	3.8333	3.8443	3.6765	3.8496	0	3.7123
(1000 HA) ,(1000 MT) ,(MT/HA)						

Production

Mexico's corn production forecast for MY 2020/21 (October to September) is 27.1 MMT, with an estimated 7.3 million hectares (ha) of harvested area, assuming normal weather conditions (i.e. adequate moisture levels). The increase is projected based on a higher amount of harvested area.

Post's total corn production estimates for MY 2018/19 and MY 2019/20 are revised upward from the USDA/Official estimate to 27.6 MMT and 25.8 MMT, respectively, due to more complete data from SADER as of January 31, 2020. According to official and private sources, the harvested area and production in MY 2019/20 was lower than a year earlier due to adverse dry weather conditions. The dry conditions that affected the 2019 Spring/Summer crop cycle damaged approximately 450,000 ha and reduced expected yields. Similarly, the expected production in the 2019/20 fall/winter crop cycle is expected to decrease approximately 750,000 MT compared with last year's harvest, due to the drought that affected water reservoirs in the main producing state of Sinaloa. As a result, the area planted in Sinaloa was around 16 percent lower in the 2019/20fall/winter crop cycle compared with the area planted during the same crop cycle last year (410,000 ha against 488,00 ha).

Corn is still the largest crop in Mexico in terms of production and consumption. Mexican corn farms continue to be in diverse, ranging from large-scale, irrigated, commercial operations to households growing local varieties on small, rainfed 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, as discussed in detail in GAIN Report MX2018-1411.

Approximately 86.5 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 the last few years. In the period of MY 2014/16 to MY 2017/18, Mexican farmers produced an annual average of 26.9 MMT. The two main producing states 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 and approximately than 92 percent of its production is rain-fed.

In February 2020, SADER announced plans for a project called "Corn for Mexico 2030" (*Maiz para Mexico)* intended to help Mexico increase its production of yellow corn in order to fulfill President Lopez Obrador's goal of self-sufficiency. The project calls for producers, traders, companies, and other members of the corn production chain to develop projects to improve corn yields and supply Mexico's domestic corn needs. However, at this time, few operational details are available, and it is not known if the program has any federal funding.

Consumption

The FAS/Mexico forecast for total corn consumption for MY 2020/21 is 45.5 MMT, an increase of 2.4 percent compared to previous year. Most of the increase is accounted for by greater feed use, although food use is also expected to rise slightly.

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. In fact, Mexico is considered the world's leading consumer of corn for human consumption. According to a recent report of the International Maize and Wheat Improvement Center (CIMMYT, for its acronyms in Spanish), corn represents 30 percent of the protein and 40 percent of the energy in the diet of Mexicans with a per capita consumption of 297 kg/year.

The corn market in Mexico mainly demands two varieties of corn: white and yellow. In the last 25 years, total Mexican corn consumption more than doubled. Based on FAS/USDA official figures, in MY 1993 total corn consumption was 20.5 MMT, while for MY 2018 the consumption increased 115 percent, reaching 44.1 MMT. This growth is largely explained by the increase in corn for feed use, which increased by 371 percent between MY 1993 and MY 2018. On the other hand, corn destined for FSI consumption, especially starch and cornstarch, increased by approximately 21.3 percent in the same period.

Population growth has been the main factor contributing to the increase of corn for human consumption and is expected to continue in MY 2020/21. Increases in corn for feed consumption is largely explained by the changes in diet patterns and increased income and expenditure by the population on animal proteins. At higher consumer incomes, expenditures on cereals and basic crops tend to decrease, while the expenditure for the consumption of poultry, pork and beef meats, milk and eggs increases.

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, animal feed industry is expected to grow between three and four percent in 2020. 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 by 3.0 percent in 2019 and this trend is expected to continue in 2020. UNA stated that feed represents approximately 65 percent of the total cost of production of broiler meat. Chicken meat and egg consumption is also increasing, due largely 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.

Mexico's livestock production also continues to grow because of the vertical integration of farms as well as better biosecurity measures. In 2019, livestock exports achieved a new record, with the United States as its main trading partner. This trend is expected to continue through 2020, as steady feed prices and favorable zoo-sanitary conditions prevail. Mexico's beef exports are also expected to increase, especially to Asian markets where high-labor, added-value meat products command a price premium. The domestic pork industry also continues to grow, as consumers lean towards more affordable animal proteins.

Mexico: Production of Feed Ingredients
(000 Metric Tons)

Calendar Year:	2012	2013	2014	2015	2016	2017	2018	2019
Compound Feed Capacity	35,200	35,670	36,200	37,000	38,000	38.358	38.500	40,240
Total Compound Feed Produced	28,389	29,090	29,906	31,075	32,440	33.506	34,814	36,204
---- by integrated producers	17,526	18,055	18,535	19,123	20,011	20.735	21.071	21,877
---- by commercial producers	10,863	11,035	11,371	11,952	12,429	12.771	13.743	14,327
Marketing Year: (000 Metric Tons) Feed Production by type of animal	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**
Poultry	14,187	14,484	15.040	15,523	16,151	16,451	16,946	17,569
Pork	4,428	4,600	4.630	4,801	5,024	5,286	5,540	5,820
Beef Cattle	3,222	3,360	3,399	3,469	3,571	3,710	3,871	4,047
Dairy Cattle	4,570	4,606	4,686	4,843	5,107	5,271	5,452	5,641
Aquaculture	197	124	172	283	297	345	381	420

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

Trade

Total corn imports are forecast to increase approximately 5.5 percent in MY 2020/21 over the revised import estimate of MY 2019/20, driven by the continued relatively bullish demand for feed consumption and the need to rebuild stocks. For MY 2020/21, the corn export forecast for Mexico is expected to remain unchanged at 600,000 MT, due to the cancellation of the

governmental export support program. Similarly, the MY 2019/20 export estimate was decreased slightly to 600,000 MT, reflecting information from official and private sources and the export support program cancellation, which was part of the program called "Incentive for Attending to Specific Marketing Problems" (see Policy section below).

In general, Mexico continues to consume corn at a higher rate than it produces and depends increasingly on U.S. imports, where producers and consumers find a more competitive price. Growth in feed use, particularly for the poultry sector, has been a major driver, maintaining corn import demand in the last few years. This is attributable to corn's current price competitiveness relative to other alternative feedstuffs, such as sorghum and wheat. This trend is forecast to continue in MY 2020/21, based on the optimistic perspective of the animal feed sector and UNA.

Import estimates for MY 2019/20 were revised slightly downward to 17.3 MMT, reflecting higher domestic production than previously estimated and preliminary data from SADER. Private traders state that Mexican feed grain importers have opted to import higher levels of feed corn instead of sorghum, as the price difference has continued to be favorable to corn. Also, these sources indicate that the price of sorghum must be approximately 90 to 92 percent of the price of corn for the poultry industry – the primary consumer of corn and sorghum – to switch.

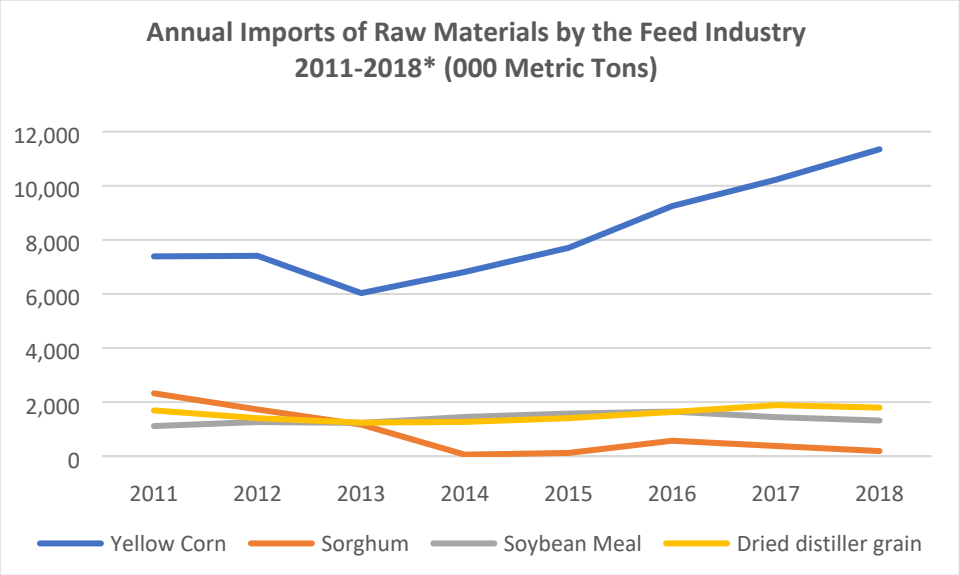
Although Mexico's corn imports from Brazil increased in CY 2019, trade sources state it reflects lower, more affordable prices as a result of the record harvest registered in the South American country. Based on official figures, Brazilian corn imports represented around eleven percent of the total imported by Mexico in the first eleven months of 2019, while 89 percent of total corn was imported from the United States. Therefore, trade sources state the United States will continue to be the predominant supplier of Mexican corn imports because of U.S. production efficiency and proximity to Mexico, which allows corn to be transported via railroad, truck, or ship. Mexico is the number one importer of U.S. corn, though volumes fluctuate somewhat from year to year.

Annual imports of main raw materials by the Feed Industry, 2013-2018*
(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

*Preliminary

Source: CONAFAB



Source: CONAFAB *Preliminary

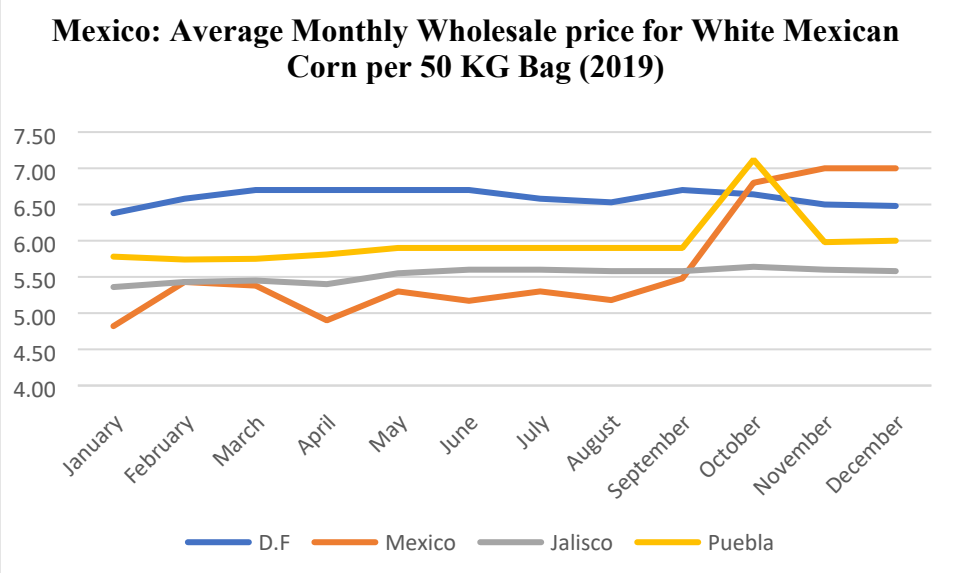
Stocks

Post's ending stocks for MY 2020/21 are forecast to decrease to 2.2 MMT, due to the increase in domestic consumption. The Post/New MY 2018/19 and MY 2019/20 ending stock estimates have been revised upward from the USDA/Official estimate to 5.2 and 2.95 MMT, respectively, reflecting higher than previously estimated domestic production in both marketing years.

Mexico: Average Monthly Wholesale Price for White Mexican Corn in Pesos per 50 KG Bag (2019)

Month	D.F	Mexico	Jalisco	Puebla
January	6.38	4.82	5.36	5.78
February	6.58	5.43	5.43	5.74
March	6.70	5.38	5.45	5.75
April	6.70	4.90	5.40	5.81
May	6.70	5.30	5.55	5.90
June	6.70	5.17	5.60	5.90
July	6.58	5.30	5.60	5.90
August	6.53	5.18	5.58	5.90
September	6.70	5.48	5.58	5.90
October	6.64	6.80	5.64	7.12
November	6.50	7.00	5.60	5.98
December	6.48	7.00	5.58	6.00

Source: National Service of Market Information (Servicio Nacional de Información de Mercados, SNIIM-ECONOMIA)



Source: National Service of Market Information (Servicio Nacional de Información de Mercados, SNIIM-ECONOMIA)

Governmental Policy and Agricultural Supports

The current administration of President Andres Manuel Lopez Obrador has continued implementing several changes to Mexico's agricultural support system. The focus continues to be on providing supports to poor small farmers, while the supports to larger commercial operations have been reduced substantially or even canceled. This new focus has generated frustration and great discomfort with medium-sized and large farmers due to the lack of support for commercial agriculture.

Several private and official sources concur that factor that could most affect grain and oilseed production in MY 2020/21 and upcoming years is the cancellation of the main federal support programs for medium and large growers. Due the severe cutbacks in the 2020 Federal Expenditure Budget, the main support programs for these growers were practically eliminated. Among the eliminated programs are the Marketing Incentives and Complementary Incentive to Target Income. Both of these were 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 last year to raise the level of supports by 4.8 percent (see MX2018-2062), this program was still eliminated from this year's official expenditure budget.

In order to try to compensate for the cancellation of these programs, SADER has indicated it wants to replace its previous commercialization scheme with a new program without subsidies. However, many participants in the grain and oilseeds commercialization process (i.e. farmers, traders, animal feed buyers, starch companies, etc.) have expressed doubts about the viability of such a strategy. In the new program, SADER would witness and register commercial deals to purchase corn and oilseeds between buyers and sellers. Buyers would also agree to first purchase domestic rather than imported crops. However, in this strategy there would be no support to the producer for the purchase of hedges or to guarantee a "target income" per ton of grain or oilseed.

The coverage would be paid by the producer, and these would be financed through the Governmental financial entities (i.e. National Financial and the Trust Funds for Rural Development, or FIRA) but without preferential interest rates.

However, producers' groups and private buyers are concerned that the new program seems to offer no incentive or security for either producers or buyers to participate and provides no mechanism to ensure that both parties fulfill the contracts. Additionally, the program could create unrealistic income expectation among producers for higher than market prices. Lack of preferential rates of financing also increase the likelihood of non-compliance and default. Some sources have stated that with the current CME futures prices and the appreciation of the exchange rate of the Mexican Peso against the U.S. dollar, grain prices do not guarantee profitability to the producer. Contrary to SADER's claims that the new program brings greater certainty to producers, farmers' organizations stated that the new scheme fails to give producers needed certainty and the tools to market their goods effectively.

Production for Wellbeing

As described in more detail in MSX2019-2042, the new Production for Wellbeing (*Producción para el Bienestar)* program replaced the previous *Proagro Productivo* program, maintaining a similar structure. Production for Wellbeing is a direct support program for small and medium producers of corn, dry beans, bread wheat, rice, and other grains. Producers registered under the previous Proagro or PIMAF programs were automatically included in the new Production for Wellbeing system. On February 7, 2020, SADER published in Mexico's Federal Register (*Diario Oficial*) the Operational Rules of the Production for Wellbeing Program. The support amounts remain unchanged in reference to the last year amounts:

Stratum	**Definition**	**Allocation per eligible hectare**
Small Grower	Registered under Proagro, with up to 5 ha non-irrigated or 0.2 ha irrigated	1,600.00 pesos (82.92 USD)
	Registered under PIMAF, with up to 3 ha	
Medium Grower	Registered under Proagro, with 5-20 ha non-irrigated or 0.2-5 ha irrigated	1,000.00 pesos (51.83 USD)

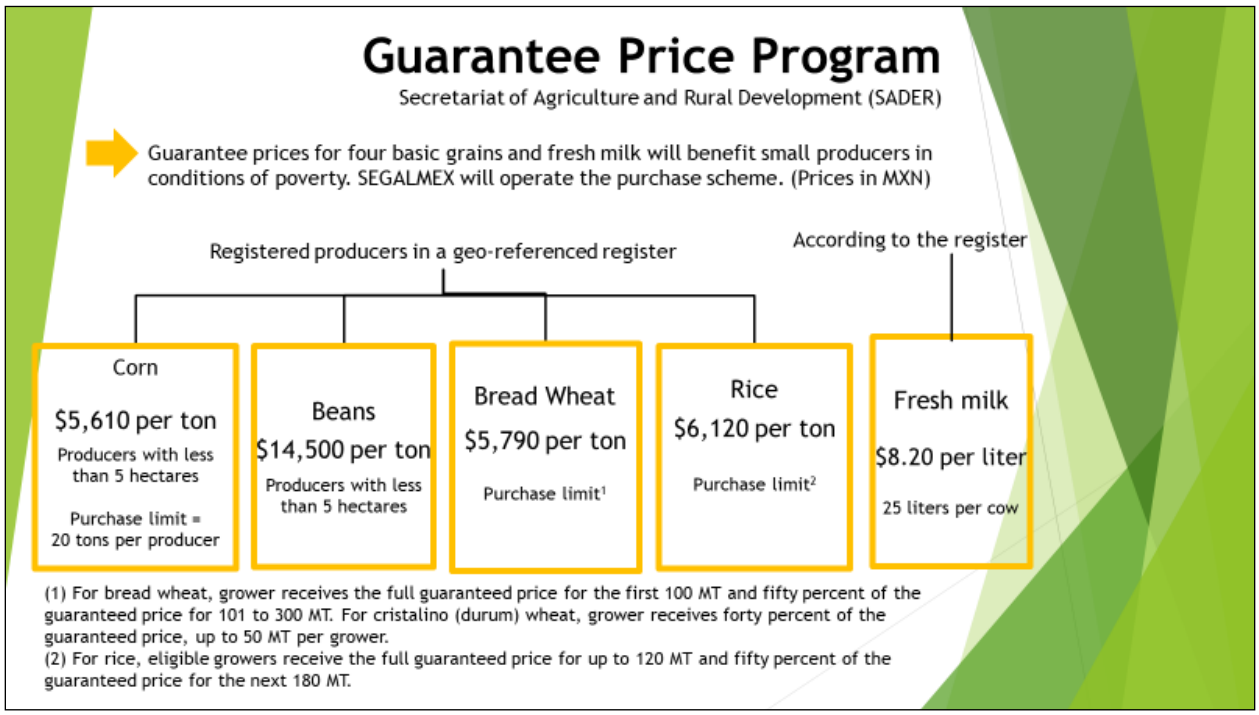
According to the new operational rules, a total of eleven billion pesos (approximately 570 million USD) will be available for this program in 2020.

Moreover, on January 14, 2020, SADER's Under Secretary of Food Self-Sufficiency Víctor Suárez-Carrera presented the results of the Production for Wellbeing program in 2019. Suarez indicated that in total 11.2 billion pesos (roughly 580.5 billion USD) were granted in support of

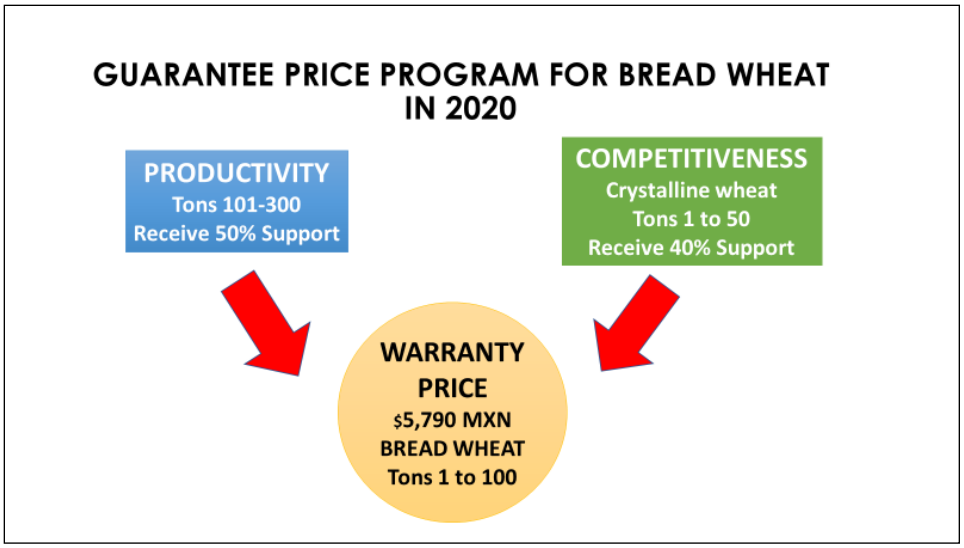
2.1 million producers, who cultivate 6.8 million hectares. In addition, he said that of this amount, 9.4 billion pesos were allocated to 1.8 million producers, who farm 6.4 million ha of grains, corn, dry beans, bread wheat and rice, among other crops. The Undersecretary pointed out that 60 percent of the beneficiary producers with the Welfare Production program are in nine entities of Mexico's South-Southeast region and 78.2 percent were small producers, since the priority of the Administration is to support the poorest and most unprotected groups.

Guarantee Prices

On February 24, 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 changes to the purchase limits for bread wheat (*trigo panificable*) and rice programs. Eligible producers of wheat will receive the full guaranteed price for up to 100 metric tons (MT). For amounts of wheat from 101 to 300 MT, each grower will then receive around 50 percent of the guaranteed price. In addition, SADER will support the production of up to 800,0000 MT of cristalino (durum) wheat for use by the domestic wheat flour industry by granting growers 40 percent of the guaranteed price, up to 50 MT per grower. 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 will not be collected by Segalmex, the agency in charge of the Guaranteed Price program, but rather passed directly to the beneficiary industry (miller). Additionally, the new rule announced that corn producers will receive financial support of 150 pesos per ton to transfer grain from their farms to collection centers.



Source: FAS/Mexico, based on a SADER graphic.



Source: FAS/Mexico, based on SADER information

In the case of the Guarantee Prices for corn, several private sources state that it is still unclear how Segalmex will physically transport and store the grain purchased by the program. It is also uncertain how much volume Segalmex acquired during the 2019 spring/summer harvest. Reportedly, the agency estimated it would collect 1.0 MMT in 2019 spring/summer harvest nationwide. Some private sources believe the volume could reach 2.0 MMT. Similarly, in the central plateau region (the Bajio region) some sources report that approximately 40 percent of the contracts under the Forward Contract scheme, which was still in place last year, were not honored because some growers instead delivered their corn to Segalmex, causing serous distortion in corn marketing.

SORGHUM

Table 3: Mexico, Sorghum Production, Supply, and Demand for MY 2018/19 to MY 2020/21

Sorghum	2018/2019		2019/2020		2020/2021	
Market Begin Year	Oct 2018		Oct 2019		Oct 2020	
Mexico	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	1350	1327	1350	1320	0	1350
Beginning Stocks	113	113	309	85	0	85
Production	4700	4476	4500	4300	0	4500
MY Imports	596	596	700	700	0	750
TY Imports	596	596	700	700	0	750
TY Imp. from U.S.	546	546	0	700	0	750
Total Supply	5409	5185	5509	5085	0	5335
MY Exports	0	0	0	0	0	0
TY Exports	0	0	0	0	0	0
Feed and Residual	5000	5000	5150	4900	0	5100
FSI Consumption	100	100	100	100	0	100
Total Consumption	5100	5100	5250	5000	0	5200
Ending Stocks	309	85	259	85	0	135
Total Distribution	5409	5185	5509	5085	0	5335
Yield	3.4815	3.373	3.3333	3.2576	0	3.3333
(1000 HA) ,(1000 MT) ,(MT/HA)						

Production

Mexican sorghum production for MY 2020/21 (October-September) is forecast to remain practically unchanged at 4.5 MMT which should be cultivated in 1.350 million hectares, a harvested area similar to that of the last two years. This production assumes normal weather conditions (i.e. adequate moistures levels).

As well as in the case of corn, the lack of governmental supports for medium and big sorghum farmers is the main factor discouraging an increase in sorghum planting area and limiting the use of inputs (i.e. fertilizers, pesticides herbicides, etc.). This new focus has generated frustration with medium-sized and large sorghum farmers, who recently held protests in Tamaulipas against the lack of support for commercial agriculture. Another factor preventing the increase of sorghum planting area is the threat of new outbreaks of sugar cane aphid (SCA). Even though private and official sources stated the pest had been partially mitigated or controlled, they also recognized that SCA is still a serious problem in some states. For example local media recently reported that new outbreaks of SCA had been registered in the San Fernando area in the north of Tamaulipas.

Sorghum production is spread throughout the country, with the largest producing states in 2019/20 being Tamaulipas, Guanajuato Michoacan and Jalisco. The states of Guanajuato, Jalisco, and Michoacan in west central Mexico make up the Bajio region. The MY 2018/19 and MY 2019/20 production and harvest area estimates were decreased to reflect final government data.

Consumption

Sorghum consumption is forecast to increase to 5.1 MMT in MY 2020/21, a 4.1 percent increase from the revised MY 2019/20 estimate, due to the continued strong demand from feed millers and the livestock sector, mainly the poultry industry. Despite the economic slowdown, the poultry sector is expected to continue growing in 2020. Domestic poultry producers have begun diversifying production chains into different facilities in different states to prevent disease outbreaks that could devastate flocks. Chicken meat and egg consumption is increasing more than expected, due largely in part to their affordability in an increasingly price-sensitive market. They also are enjoying a growing reputation with Mexican consumers as healthier animal proteins compared to beef or pork (see MX2020-0007).

Similarly, Mexico's livestock production continues to grow due in large part to vertical integration of farms, as well as better biosecurity measures. In 2019, livestock exports achieved a new production record, with the United States as main trading partner. This trend is expected to continue through 2020, as steady feed prices and favorable zoo-sanitary conditions prevail. Beef exports are also expected to continue growing, especially to Asian markets where high-labor, added-value meat products command a price premium. The domestic pork industry also continues to grow, as consumers lean towards more affordable animal proteins (see MX2020-0001). Sorghum consumption for MY 2019/21 estimate was revised downward to reflect the most current Mexican government and industry data.

Trade

Total sorghum imports in MY 2020/21 are forecast at 750,000, up seven percent from last year's estimate, based on an expected increase in feed grain demand. The United States is expected to continue to supply virtually all these imports due to USMCA access advantages.

Stocks

For MY 2020/21, ending stocks are forecast to increase to 135,000 MT. The estimated MY 2019/20 ending stocks were reduced based on lower domestic production than previously estimated. The estimate of MY 2018/19 ending stocks were revised downward because of lower expected domestic production compared to earlier estimates.

Rice

Table 4: Mexico, Rice Production, Supply, and Demand for MY 2018/19 to MY 2020/21

Rice, Milled	2018/2019		2019/2020		2020/2021	
Market Begin Year	Oct 2018		Oct 2019		Oct 2020	
Mexico	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	43	43	40	38	0	44
Beginning Stocks	151	151	139	137	0	161
Milled Production	190	188	175	169	0	193
Rough Production	277	274	255	246	0	281
Milling Rate (.9999)	6870	6870	6870	6870	0	6870
MY Imports	744	744	785	785	0	785
TY Imports	730	730	785	785	0	785
TY Imp. from U.S.	621	621	0	0	0	0
Total Supply	1085	1083	1099	1091	0	1139
MY Exports	26	26	10	5	0	5
TY Exports	12	12	10	5	0	5
Consumption and Residual	920	920	925	925	0	940
Ending Stocks	139	137	164	161	0	194
Total Distribution	1085	1083	1099	1091	0	1139
Yield (Rough)	6.4419	6.3721	6.375	6.4737	0	6.3864
(1000 HA) ,(1000 MT) ,(MT/HA)						

Production

Mexican rough rice production is forecast to increase to 281,000 MT in MY 2020/21, due to an expected expansion of planted area. This increase represents a fourteen percent increase over the previous marketing year and translates to 193,000 MT of milled production.

The expected growth in planted area is a result of new subsidies, including the guarantee prices for rice. As in the case of wheat, private sources stated that SADER, through the governmental agency Segalmex, (see 2019 GAIN Report MX2019-1132) worked with rice farmers and the rice mill industry to increase the volume of rice production supported under the program of "Guarantee Prices" (see Governmental Supports section).

The total rice production estimate for the MY 2018/19 and MY 2019/20 were adjusted slightly downward to 274,000 and 246,00 MT rough production, respectively, based on SADER final

information for the first year and updated official figures as of January 31, 2020 for the second one. This production is equivalent to 188,000 and 169,000 MT, respectively, of milled rice.

According to the Mexican Rice Council (MRC), market conditions that influence farmers' decisions to plant rice are based on having a reliable buyer, the price offered by the mill industry, and government supports, which allows them to maximize their profits. In addition, they stated that water availability is key for the crop.

Rice is grown in at least 12 states, with three major states being Nayarit, Campeche, and Michoacan. These major states contribute approximately 70 percent of Mexico's total rice production, while traditional rice producing states such as Veracruz and Morelos contribute smaller volumes. Growers in Campeche and Nayarit have invested in improved crop production technologies using varieties of long grain rice coming from Brazil, which have been adapted to Mexico's conditions (known as the "Brazilian" model). These growers produce more long grain and niche rice varieties, compared to the "Filipino Miracle" variety used in most states. The MRC stated this year that it expects to improve the quality of national long grain rice, increase the area planted, and eventually increase production.

Given that most rice production in the major growing regions is irrigated, average yields are expected to remain at about 6.4 MT per hectare, with yields in Campeche and Michoacan higher.

Consumption

Rice consumption is expected to continue its relatively steady growth, slightly above population growth. MY 2019/20 consumption is forecast at 940,000 MT, a 1.6 percent increase. Overall per capita rice consumption remains low in Mexico (around 7.6 kg), compared to other Latin American countries. Price continues to play an important role in rice consumption.

A handful of key companies controls most of the rice milling industry in Mexico, and by extension, most domestic purchases and trade. The value chain of rice in Mexico moves from points of production and ports of entry to mills, packers, manufacturers, warehouses, and retail outlets of various types. Most of the domestically produced rice and imported rough rice is milled and packed by the key rice millers. From mills and packers, rice enters the food distribution system, passing through central warehouses (*centrales de abasto*) or moving for distribution to supermarkets, small retail grocery stores (*tiendas de abarrotes*), and public markets.

The MRC stated that milling capacity is growing, mainly because two new rice mills began to operate this year, one in the port of Veracruz and the other one in Tuxpan, also in the state of Veracruz. In addition, the MRC noted that some rice millers are investing in more efficient polishing and selection equipment. Another rice mill is being installed in Piedras Negras, Veracruz, and although small, it also increases installed capacity.

Trade

Rice imports are forecast to remain unchanged for MY2020/21 at 785,000 MT as a result of a higher domestic production and the relatively sluggish increase in domestic consumption, as discussed above.

The export estimate for the MY2019/20 is reduced to 5,000 MT based on Trade Monitor Data (TMD) and available official data, which reflects the lower level of milled packed rice exported to Venezuela due to the political instability in that country (see MX2019-1402). The export forecast for MY 2020/21 remain unchanged at 5,000 MT.

In the last few years, the Mexican Government authorized a unilateral duty-free quota for rice imports from countries with which Mexico does not have a free trade agreement. The last quota allowed up to 150,000 MT of rice per calendar year and was valid through December 2019 (see MX2018-2072 for additional details).

According to the MRC, even though producers are strongly against the renovation of rice quotas in 2020, the Secretariat of Economy (SE) is analyzing this option. The main factor that SE is taking into consideration is the bullish international market situation, mainly in the U.S. rice market, which is by far the largest supplier to Mexico.

The other factor is that the Mexican Government removed Uruguay from the list of approved countries than can supply milled rice to Mexico. Reportedly the decision was taken after finding khapra beetle in several containers of Uruguayan rice last year. Despite the fact Uruguayan phytosanitary authorities are working to reestablish import requirements and resume trade, this measure is reducing the options of foreign suppliers for the Mexican market. As a result, the MRC estimate that the SE probably may soon announce a new unilateral rice TRQ for 2020.

It should be noted that Mexico has diversified its suppliers over the past several years. For example, Mexico has imported rough rice from Paraguay and milled rice from Uruguay, Thailand, and Argentina.

Stocks

Stocks estimates have been adjusted downward slightly for MY 2018/19, due primarily to lower domestic production. Similarly, the MY 2019/20 stocks estimate was revised downward to 177,00 MT due to lower domestic production and lower than previously estimated exports. For MY 2020/21, stocks are expected to increase to 194,00 MT due to higher domestic production. However, as with other grains, Mexico does not keep any official stocks estimates.

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 of Report	Date Submitted
MX2020-0004	Grain and Feed Update	01/13/2020
MX2019-1402	Corn and Wheat Production Higher than Expected but Wheat Consumption Down	8/23/2019
MX2019-1401	Higher than Expected Corn Production While Rice Imports Lower	7/17/2019
MX2019-1132	Modest Growth Expected for Grain Production and Imports	3/12/2019
MX2019-1168	Corn Production Lower than Expected, Rice Higher	2/21/2019
MX2019-2042	Mexico Announces New “Production for Wellbeing” Support Program	2/7/2019
MX2018-1460	Rice and Sorghum Production Revised Downward as Lower Sorghum Imports Expected	9/17/2018
MX2018-1459	Lower Wheat and Rice Crops, Average Sorghum Trade Expected	5/25/2018

Attachments:

No Attachments