Required Report: Required - Public Distribution **Date:** September 04,2020

Report Number: MX2020-0047

Report Name: Grain and Feed Update

Country: Mexico

Post: Mexico City

Report Category: Grain and Feed

Prepared By: Benjamin Juarez

Approved By: Karisha Kuypers

Report Highlights:

Wheat production for Marketing Year (MY) 2019/20 is revised upward based on favorable weather conditions and water supplies in Mexico's main producing state. Although wheat consumption decreased as a result of COVID-19 restrictions, exports are expected to increase in MY 2020/21. Corn production and harvested area estimates for MY 2020/21 remain unchanged although production figures for MY 2018/19 and MY 2019/20 are revised upward. Corn imports for MY 2019/20 decreased due to greater domestic production. Production and harvested areas estimates for both sorghum and rice are revised upward for MY 2019/20. Mexico extended the authorization to import Uruguayan rice into Mexico until November 24, 2020.

EXECUTIVE SUMMARY

Mexico's wheat production in Marketing Year (MY) 2019/20 is revised upward slightly, based on more complete figures from the Secretariat of Agriculture and Rural Development (SADER). Corn production estimates for MY 2018/19 and MY 2019/20 are revised upward to 27.6 and 26.5 million metric tons (MMT), respectively, due to more complete data from SADER as of July 31, 2020. The sorghum production estimate and harvested area for MY 2019/20 have been revised slightly upward and downward, respectively, as a result of relatively normal weather conditions during the 2019/20 fall/winter crop cycle and reflecting the more recent official data from SADER. Lastly, rice production estimate for MY 2019/20 (October to September) was revised slightly upward from USDA/Official estimates to 251,000 MT (rough production) reflecting the most recent data from SADER and industry sources. The increased rough production is equivalent to 172,000 MT of milled rice. The corn import estimate for MY 2019/20 has been decreased to 16.2 MMT, because of higher than previously estimated domestic production. Mexican phytosanitary authorities extended the authorization to import Uruguayan rice into Mexico by 90 days, until November 24, 2020.

WHEAT

Table 1: Mexico, Wheat Production, Supply, and Demand for MY 2018/2019 to MY 2020/2021

Wheat	2018/2019		2019/2020		2020/2021	
Market Year Begins	Jul 2018		Jul 2019		Jul 2020	
Mexico	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	540	540	593	590	550	550
Beginning Stocks	768	768	603	603	418	473
Production	3000	3000	3215	3270	3050	3050
MY Imports	4861	4861	5200	5200	5300	5287
TY Imports	4861	4861	5200	5200	5300	5287
Total Supply	8629	8629	9018	9073	8768	8810
MY Exports	526	526	1100	1100	700	1168
TY Exports	526	526	1100	1100	700	1168
Feed and Residual	300	300	200	200	200	200
FSI Consumption	7200	7200	7300	7300	7400	7200
Total Consumption	7500	7500	7500	7500	7600	7400
Ending Stocks	603	603	418	473	468	242
Total Distribution	8629	8629	9018	9073	8768	8810
Yield	5.5556	5.5556	5.4216	5.5424	5.5455	5.5455
(1000 HA) ,(1000 MT) ,(MT/HA)						

Production:

The total wheat production for MY 2019/20 (July to June) was revised slightly upward to 3.270 MMT reflecting the preliminary final data from the Secretariat of Agriculture and Rural Development (SADER). Private and official sources agree that favorable weather conditions and plentiful water reservoirs in Sonora, the main producing state, produced higher yields than initially estimated in the marketing year. The wheat production estimate for MY 2020/21

remains unchanged at 3.05 MMT, with an estimated 550,000 hectares harvested, based on private industry information and recent data released by SADER as of July 31, 2020.

According to National Chamber of the Wheat Milling Industry (CANIMOLT), the Mexican wheat industry is benefiting from the federal Guarantee Prices program, which provides small and medium producers with a set price per ton of wheat produced. CANIMOLT reports that the Mexican government paid wheat producers more than 2 billion pesos ($93 million USD) in 2020 under this program.

Consumption:

Post's total wheat consumption estimate for food seed and industrial (FSI) in MY 2020/21 is revised downward to 7.2 MMT based on new information from CANIMOLT. They report that FSI consumption showed a deceleration in the current CY 2020 in industrial bakeries and artesian bakeries as well as in the animal feed industry. The main factor driving this decline in consumption was the COVID-19 pandemic. As a result of pandemic restrictions, CANIMOLT reports the wheat industry has seen an average 30 percent fall in sales at traditional bakeries. While the sale of shelf stable products (bread, pasta, cookies) has increased by 15 percent, this increase does not make up for the loss of sales to restaurants, hotels, and institutions. On the financial front, the industry reports that flour mills are having difficulty recovering losses from past-due clients and face "brutal" competition to win the few clients still able to pay. Mills have less purchasing power due to the depreciation of the peso, higher costs for financing, and an increase in costs from establishing sanitary and hygiene measures in their facilities.

Trade:

The wheat import estimate for MY 2020/21 has been decreased slightly to 5.29 MMT from the USDA/Official estimate, based on Trade Data Monitor (TDM) information for this marketing year. Also, the export estimate for MY 2020/21 has been increased to 1.168 MMT, based on TDM information. According to CANIMOLT, this increase was due to the peso devaluation against the U.S. dollar and favorable international durum wheat prices (called "cristalino" in Mexico) at the moment of export. The main destinations of these exports were Turkey and Algeria.

Stocks:

The MY 2019/20 Post ending stocks estimate was revised upward to 473,000 MT, due to higher than previously estimated domestic production. The ending stocks estimate was reflected in the carry over for MY 2020/21, which was also adjusted upward. Ending stocks for MY 2020/21 are adjusted downward to reflect the higher exports than previously estimated, in this marketing year.

CORN

Table 2: Mexico, Corn Production, Supply, and Demand for MY 2018/2019 to MY 2020/2021

Corn	2018/2019		2019/2020		2020/2021	
Market Year Begins	Oct 2018		Oct 2019		Oct 2020	
Mexico	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	7200	7198	6800	6621	7300	7300
Beginning Stocks	5649	5649	5089	5160	1889	2360
Production	27600	27671	25000	26500	28000	28000
MY Imports	16658	16658	17000	16200	18300	18300
TY Imports	16658	16658	17000	16200	18300	18300
Total Supply	49907	49978	47089	47860	48189	48660
MY Exports	718	718	700	1000	600	600
TY Exports	718	718	700	1000	600	600
Feed and Residual	25900	25900	26500	26500	27300	27300
FSI Consumption	18200	18200	18000	18000	18250	18250
Total Consumption	44100	44100	44500	44500	45550	45550
Ending Stocks	5089	5160	1889	2360	2039	2510
Total Distribution	49907	49978	47089	47860	48189	48660
Yield	3.8333	3.8443	3.6765	4.0024	3.8356	3.8356
(1000 HA) ,(1000 MT) ,(MT/HA)						

Production:

The corn harvested area and production estimates for MY 2020/21 (October to September) remain unchanged with an estimated of 7.3 million hectares planted and a production of 28.0 MMT based on updated SADER data for the crop cycle 2020 spring/summer (as of July 31, 2020) and private analysts' information.

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 26.5 MMT, respectively, due to more complete data from SADER. In the case of the MY 2019/20, these statistics include the final results of the 2019 spring/summer crop cycle (18.349 MMT), as well as available information through July for the 2019/20 fall/winter crop cycle. Despite the upward adjustment in MY 2019/20, production is still approximately 1.1 MMT lower than the previous year. Private sources stated this decline is mainly due to a drop in production in the 2019/20 fall/winter crop cycle and a reduction in yields in Sinaloa (the main producing state), Tamaulipas and Sonora. For example, in the case of Sinaloa, farmers were affected by atypical rains on the optimal sowing dates, which caused a reduction in their yields compared to those who sowed early. According to private sources, these lower yields were registered mainly in the regions of Culiacan and Guasave. In the case of MY 2018/2019, the slight upward adjustment reflects final SADER official data.

Trade:

The corn import estimate for MY 2019/20 has been decreased to 16.2 MMT from the USDA/Official estimate, because of higher than previously estimated domestic production. Also, export estimates for MY 2019/20 were increased to 1.0 MMT, based on TDM information for the first nine months of the marketing year and higher production.

Stocks:

The Post/New MY 2018/19 and MY 2019/20 ending stock estimates have been revised upward from the USDA/Official estimate to 5.16 and 2.36 MMT, respectively, reflecting higher than previously estimated domestic production in both marketing years. This is reflected in the upward adjustment to MY 2020/21 carry over as well.

SORGHUM

Table 3: Mexico, Sorghum Production, Supply, and Demand for MY 2018/2019 to MY 2020/2021

Sorghum	2018/2019		2019/2020		2020/2021	
Market Year Begins	Oct 2018		Oct 2019		Oct 2020	
Mexico	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	1350	1327	1320	1360	1350	1350
Beginning Stocks	113	113	259	235	159	155
Production	4700	4476	4300	4320	4500	4500
MY Imports	546	546	600	600	100	100
TY Imports	546	546	600	600	100	100
Total Supply	5359	5135	5159	5155	4759	4755
MY Exports	0	0	0	0	0	0
TY Exports	0	0	0	0	0	0
Feed and Residual	5000	4800	4900	4900	4500	4500
FSI Consumption	100	100	100	100	100	100
Total Consumption	5100	4900	5000	5000	4600	4600
Ending Stocks	259	235	159	155	159	155
Total Distribution	5359	5135	5159	5155	4759	4755
Yield	3.4815	3.373	3.2576	3.1765	3.3333	3.3333
(1000 HA) ,(1000 MT) ,(MT/HA)						

Production:

The total sorghum production and harvested area estimates for MY 2019/20 have been revised upward based on updated official data released by SADER. These statistics include the final results of the 2019 spring/summer crop cycle, as well as available information through July 31, 2020, for the 2019/20 fall/winter crop cycle. In Tamaulipas for example, sorghum production for the 2019/2020 fall/winter crop cycle was 1.781 MMT, which is approximately two percent higher than the same crop cycle the previous year. Tamaulipas alone accounts for 80 percent of Mexico's fall/winter crop cycle, and only 22 percent of the fall/winter crop is irrigated. The MY 2018/19 production and harvest area estimates were decreased to reflect final government figures issued by SADER.

Trade:

The total sorghum import estimate for MY 2019/20 has remained unchanged based on TDM information for the first nine months of this marketing year. Private sources state that sorghum imports should remain low for the rest of this marketing due to its high prices compared with corn. Sources note that the sorghum-to-corn cash price ratio is favorable to corn currently.

Stocks:

Estimated MY 2018/19 ending stocks were revised downward because of lower domestic production compared to earlier estimates. This reduction is reflected in the carryover of the MY 2019/20 as well as in the ending stocks of this marketing year.

RICE

Table 4: Mexico, Rice Production, Supply, and Demand for MY 2018/2019 to MY 2020/2021

Rice, Milled	2018/2019		2019/2020		2020/2021	
Market Year Begins	Oct 2018		Oct 2019		Oct 2020	
Mexico	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	43	43	38	39	44	44
Beginning Stocks	151	151	137	137	156	168
Milled Production	188	188	169	172	193	193
Rough Production	274	274	246	250	281	281
Milling Rate (.9999)	6870	6870	6870	6870	6870	6870
MY Imports	744	744	785	800	800	800
TY Imports	730	730	800	800	800	800
Total Supply	1083	1083	1091	1109	1149	1161
MY Exports	26	26	5	11	5	5
TY Exports	12	12	5	11	5	5
Consumption and Residual	920	920	930	930	950	950
Ending Stocks	137	137	156	168	194	206
Total Distribution	1083	1083	1091	1109	1149	1161
Yield (Rough)	6.3721	6.3721	6.4737	6.4103	6.3864	6.3864
(1000 HA) ,(1000 MT) ,(MT/HA)						

Production:

Mexico's rice production estimate for MY 2020/21 (October to September) remains unchanged at 281,000 MT (equivalent to 193,000 MT of milled rice), with an estimated 44,000 hectares of area harvested. However, for MY 2019/20, both total rice production and harvested area estimates were revised slightly upward from USDA/Official estimates based on updated official data from SADER as of July 31, 2020. The total rice production estimate for MY 2019/20 was adjusted to 250,000 MT rough production. This production is equivalent to 172,000 MT of milled rice. Recently, SADER published data for the 2019/20 fall/winter crop cycle, which shows a higher planted area compared to the same crop cycle a year earlier and consequently a higher production level. According to private sources, growers have nearly completed their fall/winter harvest, and it is estimated that the current harvest will produce approximately 95,200 MT of rice. This is approximately eight percent higher than the previous crop cycle due to the

higher harvested area. Attractive international and domestic prices, along with the implementation of the government's Guarantee Prices support program were the main factors driving a slight increase in planted area in the 2019/20 fall winter crop cycle.

Trade:

The Post/New import and export estimates for MY 2019/20 were revised upward in order to reflect official TDM data for the first nine months of the marketing year. According to private sources, the COVID-19 pandemic and its restrictions generated a bullish domestic rice demand, which is reflected in the higher level of rice imports estimate.

In April 2020, Mexico reopened its market to imports of rice from Uruguay for a 90 day period. Mexico suspended market access to Uruguayan rice in September 2019 after multiple detections of Khapra beetle were found in sea shipments of rice. In early August, Mexico announced that it was again extending market access for all Uruguayan rice for an additional 90 days, reportedly with more demanding protocols in place. Uruguay can continue to ship rice to Mexico until November 24, 2020.

Stocks:

The Post ending stocks estimate for MY 2019/20 has been increased to 168,000 MT because of higher than expected imports and domestic production. This is reflected in the upward adjustment for MY 2020/21 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
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
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

Attachments:

No Attachments