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Grain and Feed

October Update on Grain & Feed

2008

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Report Highlights:
The MY 2008/09 corn production estimate increased based on the latest Government of Mexico (GOM) data and better weather conditions. As a result of the current economic situation, the corn consumption estimate for MY 2008/09 has been revised upward to 16.2 MMT. Due to higher expected inflation, private economists estimate that consumer purchasing power could be less in CY 2009 forcing many consumers to increase purchases of corn, dry beans and rice. The dry beans import estimate for MY 2008/09 has been revised upward due to the expected increase in demand for cheaper protein. However, the rice harvested area and production estimates for MY 2008/09 have been revised downward due to extremely adverse weather conditions. The wheat production estimate for MY 2008/09 remains unchanged at 3.89 MMT.

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

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Corn

Based on the latest Mexican government data, the MY 2008/09 production estimate has been increased due to better weather conditions. The government foresees that the strong rain that has fallen in some states of the country, for example in Guanajuato, will increase yields for corn. The Under Secretary of Rural Development in the Ministry of Agriculture (SAGARPA), Antonio Ruiz, stated that atypical rains have pushed production higher in: Aguascalientes, Chihuahua, Durango, Jalisco, Michoacan, Nayarit, San Luis Potosi, Sinaloa, Zacatecas and Nuevo Leon. As a result, official and private sources anticipate larger production for the 2008 spring/summer corn crop cycle. The Secretary of Agricultural Development in Guanajuato recently stated that if it does not rain any more, their state will have a significant increase in production since they have already passed their average rain fall of 650 milliliters a year.

The MY 2007/08 production estimate has been increased to reflect the most recent official information issued from SAGARPA. The import estimate for MY 2008/09 was adjusted downward due to the impact of higher estimated domestic production.

The MY 2008/09 forecast for domestic feed consumption has been reduced to 16.3 MMT. The use of corn for feed should decline due to the expected sluggish demand from livestock producers. Several sources anticipate a recession in the economy and higher inflation as a result of the world financial crisis. Due to higher expected inflation and an adverse economic climate, private economists estimate that consumer purchasing power could be less in CY 2009. However, the food consumption estimate for MY 2008/09 has been revised upward to 16.2 MMT since the domestic demand for meat products should decrease due to high prices, which will force low-and middle-income consumers to find less expensive protein sources, such as tortillas.

The ending stock estimates for MY 2008/09 have been adjusted downward due to lower-than-previously estimated imports. Similarly, the estimated MY 2007/08 ending stocks were revised upward due to higher-than-previously estimated production.

Sorghum

FAS/Mexico maintains its previous forecast of production and area harvested based on: normal weather conditions, average planted area, the progress of the 2007/08 sorghum crop, and official information.

Regarding the MY 2008/09 import estimate, it has been increased to 1.5 MMT assuming more affordable prices for sorghum. Similarly, the consumption estimate for MY 2008/09 was revised upward based on updated information from the industry, which reflects an expected substitution of corn for sorghum, mainly by the poultry industry. The poultry industry continues to be the major consumer of sorghum in Mexico.

Dry Beans

The MY 2008/09 import estimate has been revised upward due to stronger domestic demand. According to principal bean traders, the market share of imported beans will increase as low-and middle-income consumers substitute less expensive protein sources, such as corn and dry beans, for meat and poultry. As a result, the consumption estimate for MY 2008/09 was revised upward to 1.28 MMT.

The import figure for MY 2007/08 was revised slightly downward, reflecting final official data from the Secretariat of Economy (SE). The ending stock estimates for MY 2008/09 have been adjusted slightly upward due to higher-than-previously estimated imports.

Wheat

The MY 2007/08 production forecast figures are unchanged at 3.59 MMT. Likewise, the Mexican wheat production forecast for MY 2008/09 remains at 3.89 MMT. As previously reported, the expected production of more than 2 MMT of crystalline, or durum wheat, will be used for semolina and pasta with a smaller amount for feed use. The increase in production for MY 2008/09 is due to expanded area planted, which has been aided by the implementation of a GOM project intended to increase production and take advantage of high international prices. All of this is supported by the implementation of forward contracts within the sector in order to promote wheat production.

MY 2007/08 imports have been revised downward. As previously reported, this decrease was driven by the GOM's intention to increase the production of soft wheat, which is more suitable for baking. The MY 2008/09 import forecast was revised to 3 MMT, 2.8 percent lower than the previous year's revised figure due to the expected increased production of Soft Red Winter in the Bajio area. This confirms the GOM's intention to use forward contracts to promote bringing idle wheat lands back into production.

The export figures for MY 2007/08 and MY 2008/09 were revised upward to reflect recently updated official data. FAS/Mexico estimates that Mexico will continue increasing its production of crystalline, or durum wheat, to maintain similar export levels.

The MY 2007/08 and MY 2008/09 feed consumption figures were lowered based on the fact that due to high international prices, producers decided to export part of their production for feed use. The FSI consumption for both MY 2007/08 and MY 2008/09 were revised downward since Mexico is struggling in foreign markets and encountering direct competition from imported high added-value products in the domestic market.

Despite all these facts, the United States and Canada will continue to be the main wheat suppliers to Mexico where prices, undoubtedly, will play a large role in deciding the source and amount of imports.

Rice

The MY 2007/08 figures remain unchanged. The harvest season has ended, and it is expected that official figures will be published soon.

For MY 2008/09, heavy rains and floods have affected the area devoted to agricultural production in Veracruz, one of the main producing states. Despite the fact that rice requires ample water supplies, the majority of these lands are irrigated and heavy rains have significantly affected area harvested and production. Private sources indicate, unofficially, that between 600 to 800 hectares have been impacted and represents the loss of approximately 3,200 MT. Due to this fact, the harvested area was revised downward 1.33 percent from our previous estimate, while the production estimate was revised downward as well, 1.44 percent from our previous estimate.

As previously reported, imports for MY 2007/08 remain unchanged since most importers have already purchased rice for the year. Sources point out that any increase in imports would be generated from self-service chain stores and packing companies. Nevertheless, Mexico will remain an important market for U.S. rice. Likewise, the turmoil in the world economy should encourage an increase in consumption since rice is still considered an affordable staple food for a large portion of low- and middle-income Mexican households.

Relevant Reports Submitted by FAS/Mexico City

MX8064 September Grain & Feed Update
http://www.fas.usda.gov/gainfiles/200810/146295996.doc

MX8058 August Grain & Feed Update
http://www.fas.usda.gov/gainfiles/200809/146295706.doc

MX8050 July Grain & Feed Update
http://www.fas.usda.gov/gainfiles/200807/146295326.doc

MX8046 Bean TRQ Update
http://www.fas.usda.gov/gainfiles/200809/146295705.doc

MX8017 Grain & Feed Annual
http://www.fas.usda.gov/gainfiles/200803/146293969.doc

PS&D Corn

Corn Mexico	2006 2006/2007 Market Year Begin: Oct 2006			2007 2007/2008 Market Year Begin: Oct 2007			(1000 HA) (1000 MT) (MT/HA) 2008 2008/2009 Market Year Begin: Oct 2008		
	Annual Data Displayed		New Post Data	Annual Data Displayed		New Post Data	Annual Data Displayed		Oct Data
Area Harvested	7375	7375	7375	7350	7350	7350	7450	7450	7450
Beginning Stocks	2707	2707	2707	3084	3079	3079	2834	2749	2899
Production	22350	22354	22354	22650	22750	22900	24000	23500	23700
MY Imports	8944	8526	8526	9200	8800	8800	9000	10000	9300
TY Imports	8944	8526	8526	9200	8800	8800	9000	10000	9300
TY Imp. from U.S.	8893	8526	8526	0	8800	8800	0	10000	9300
Total Supply	34001	33587	33587	34934	34629	34779	35834	36249	35899
MY Exports	217	208	208	100	80	80	100	80	80
TY Exports	217	208	208	100	80	80	100	80	80
Feed Consumption	15100	14700	14700	16200	16000	16000	16500	16800	16300
FSI Consumption	15600	15600	15600	15800	15800	15800	16000	16000	16200
Total Consumption	30700	30300	30300	32000	31800	31800	32500	32800	32500
Ending Stocks	3084	3079	3079	2834	2749	2899	3234	3369	3319
Total Distribution	34001	33587	33587	34934	34629	34779	35834	36249	35899
Yield	3.0	3.0	3.0	3.0	3.0	3.1	3.0	3.0	3.2

PS&D Sorghum

Sorghum Mexico	2006 2006/2007 Market Year Begin: Oct 2006			2007 2007/2008 Market Year Begin: Oct 2007			2008 2008/2009 Market Year Begin: Oct 2008 (1000 HA) (1000 MT) (MT/HA)		
	Annual Data Displayed		New Post Data	Annual Data Displayed		New Post Data	Annual Data Displayed		Oct Data
Area Harvested	1595	1595	1595	1855	1730	1730	1750	1750	1750
Beginning Stocks	553	553	553	217	245	245	317	245	245
Production	5810	5810	5810	6100	6000	6000	6200	6200	6200
MY Imports	1954	1882	1882	1100	1100	1100	1700	1300	1500
TY Imports	1954	1882	1882	1100	1100	1100	1700	1300	1500
TY Imp. from U.S.	1954	1882	1882	0	1100	1100	0	1300	1500
Total Supply	8317	8245	8245	7417	7345	7345	8217	7745	7945
MY Exports	0	0	0	0	0	0	0	0	0
TY Exports	0	0	0	0	0	0	0	0	0
Feed Consumption	8000	7900	7900	7000	7000	7000	7700	7300	7500
FSI Consumption	100	100	100	100	100	100	100	100	100
Total Consumption	8100	8000	8000	7100	7100	7100	7800	7400	7600
Ending Stocks	217	245	245	317	245	245	417	345	345
Total Distribution	8317	8245	8245	7417	7345	7345	8217	7745	7945
Yield	4.0	4.0	3.6	3.0	3.5	3.5	4.0	4.0	3.5

PS&D Dry Beans

Beans	2006 2006/2007 Market Year Begin: Jan 2006	2007 2007/2008 Market Year Begin: Jan 2007	2008 2008/2009 Market Year Begin: Jan 2008 (1000 HA) (1000 MT) (MT/HA)

Mexico	Annual Data Displayed		New Post Data	Annual Data Displayed		New Post Data	Annual Data Displayed		Oct Data
Area Harvested	0	1660	1660	0	1500	1500	0	1340	1340
Beginning Stocks	0	65	65	0	213	213	0	65	65
Production	0	1331	1331	0	1020	1020	0	1125	1125
MY Imports	0	129	129	0	90	89	0	140	175
TY Imports	0	129	129	0	90	89	0	140	175
TY Imp. from U.S.	0	105	105	0	85	85	0	130	165
Total Supply	0	1525	1525	0	1323	1322	0	1330	1365
MY Exports	0	12	12	0	18	17	0	20	23
TY Exports	0	12	12	0	18	17	0	20	23
Feed Consumption	0	0	0	0	0	0	0	0	0
FSI Consumption	0	1300	1300	0	1240	1240	0	1250	1280
Total Consumption	0	1300	1300	0	1240	1240	0	1250	1280
Ending Stocks	0	213	213	0	65	65	0	60	62
Total Distribution	0	1525	1525	0	1323	1322	0	1330	1365
Yield	0.0	0.8	0.8	0.0	0.7	0.7	0.0	0.8	0.8

PS&D Wheat

Wheat Mexico	2006 2006/2007 Market Year Begin: Jul 2006			2007 2007/2008 Market Year Begin: Jul 2007			2008 2008/2009 Market Year Begin: Jul 2008 (1000 HA) (1000 MT) (MT/HA)		
	Annual Data Displayed		New Post Data	Annual Data Displayed		New Post Data	Annual Data Displayed		Oct Data
Area Harvested	570	570	570	722	722	722	769	769	769
Beginning Stocks	312	312	312	340	340	340	444	500	500
Production	3,240	3,240	3,240	3,593	3,593	3,593	3,887	3,887	3,887
MY Imports	3,610	3,549	3,534	3,400	3,088	3,088	3,400	3,000	3,000
TY Imports	3,610	3,549	3,534	3,400	3,088	3,088	3,400	3,000	3,000

TY Imp. from U.S.	2,353	2,289	2,211	2,400	2,500	2,500	2,500	2,500	2,500
Total Supply	7,162	7,101	7,086	7,333	7,021	7,021	7,731	7,387	7,387
MY Exports	548	536	469	600	1,127	1,127	700	1,150	1,150
TY Exports	548	536	469	600	1,127	1,127	700	1,150	1,150
Feed Consumption	100	200	200	189	100	100	190	100	100
FSI Consumption	6,100	6,025	6,077	6,100	5,294	5,294	6,401	5,623	5,623
Total Consumption	6,200	6,225	6,277	9289	5,394	5,394	6,591	5,723	5,723
Ending Stocks	414	340	340	444	500	500	440	514	514
Total Distribution	7,162	7,101	7,086	7,333	7,021	7,021	7,731	7,387	7,387
Yield	6.0	6.0	5.6842	4.9765	4.9765	4.9765	5.0	5.0546	5.0546

PS&D Rice

Rice, Milled Mexico	2006 2006/2007 Market Year Begin: Oct 2006			2007 2007/2008 Market Year Begin: Oct 2007			(1000 HA) (1000 MT) (MT/HA) 2008 2008/2009 Market Year Begin: Oct 2008		
	Annual Data Displayed		New Post Data	Annual Data Displayed		New Post Data	Annual Data Displayed		Oct Data
Area Harvested	52	52	52	55	55	70	55	75	74
Beginning Stocks	159	180	180	146	146	146	187	170	170
Production	181	181	181	185	185	195	185	209	206
MY Imports	271	271	271	277	277	292	277	313	309
TY Imports	.6667	.6667	.6667	.6667	.6667	.6667	.6667	.6667	.6667
TY Imp. from U.S.	594	535	535	650	650	600	650	650	605
Total Supply	609	535	535	650	650	600	650	600	605
MY Exports	607	535	535	649	649	558	0	558	558
TY Exports	934	896	896	981	981	941	1022	979	981
Feed Consumption	0	0	0	14	12	12	10	10	7
FSI Consumption	0	0	0	14	12	12	10	10	7
Total	788	750	750	780	769	759	812	825	830

Consumption									
Ending Stocks	146	146	146	187	200	170	200	144	144
Total Distribution	934	896	896	981	981	941	1022	979	976
Yield	5.2115	5.2115	5.2115	5.0364	5.0364	4.1714	5.0364	5.0364	4.1733