Required Report: Required - Public Distribution **Date:** April 17,2020

Report Number: MX2020-0022

Report Name: Oilseeds and Products Annual

Country: Mexico

Post: Mexico City

Report Category: Oilseeds and Products

Prepared By: Benjamin Juarez

Approved By: Karisha Kuypers

Report Highlights:

Oilseed production is expected to have a mixed outlook in 2020. Soybean production is forecast basically unchanged at 250,000 metric tons (MT), as the cancellation of federal commercialization support programs has created uncertainty for medium and large oilseed growers. Rapeseed and sunflower seed production will also remain stable. Oilseed crushing will increase marginally, driven by continued demand from the livestock sector, despite the global economic turmoil due to the COVID-19 pandemic. Although all economic indicators point to serious problems ahead for Mexico's economy, demand for oilseeds, mainly soybeans, is expected to withstand this global economic deceleration due to the relative inelasticity of food demand.

EXECUTIVE SUMMARY

Oilseed production is expected to have a mixed outlook in 2020. Total peanut production is 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 large oilseed growers has generated uncertainty regarding the planting intentions for the upcoming year. Consequently, soybean production is forecast basically unchanged at 250,000 metric tons (MT), based on stable acreage and average yield. Similarly, rapeseed and sunflower seed production will remain unchanged at the very low levels of the last years, due to the lack of government supports.

Mexico's oilseed crushing is forecast to increase by approximately one percent in MY 2020/21, despite the global economic turmoil due to Coronavirus and the COVID-19 pandemic. This increase is driven basically by the continued demand for meals in the livestock sector and the stable population growth in the case of oil demand.

Similar to other countries, Mexico's economy has been significantly affected by the COVID-19 pandemic, which has reduced all growth projections for 2020. These economic issues exacerbate a previous year of economic stagnation in Mexico's gross domestic product (GDP) in 2019. As result, the most recent economic data shows serious symptoms of deterioration for Mexico's economy. However, demand for oilseeds, mainly soybeans, is expected to withstand this global economic deceleration due to the relative inelasticity of food demand.

OILSEEDS: PRODUCTION, SUPPLY AND DEMAND STATISTICS

Table 1. Mexico: Production, Supply, and Distribution (PSD) for Total Oilseeds

Market Begin Year	TOTAL OILSEEDS				
Mexico	2018		2019		2020
	USDA Official	New	USDA Official	New	New
Area planted	257	259	299	208	218
Area Harvested	260	251	220	198	208
Beginning stocks	240	240	295	289	228
Production	446	439	350	340	355
MY imports	7,621	7,621	7,512	7,512	7,662
TOTAL SUPPLY	**8,307**	**8,300**	**8,157**	**8,141**	**8,245**
MY Exports	32	32	33	20	30
Crush Dom. Consump.	7,637	7,637	7,537	7,534	7,599
Food Use Dom. Consump.	295	295	305	305	305
Feed,Seed, Waste Dm.Cn.	48	47	54	54	54
Total Dom. Consumption	7,980	7,979	7,896	7,893	7,958
Ending Stocks	295	289	228	228	257
TOTAL DISTRIBUTION	**8,307**	**8,300**	**8,157**	**8,141**	**8,245**

(1000 HA),(1000 MT)

Table 2. Mexico: Production, Supply, and Distribution (PSD) for Soybeans

Oilseed, Soybean	2018/2019		2019/2020		2020/2021	
Market Begin Year	Sep 2018		Sep 2019		Sep 2020	
Mexico	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	200	197	240	154	0	155
Area Harvested	191	190	150	145	0	145
Beginning Stocks	169	169	176	179	0	177
Production	335	338	235	250	0	250
MY Imports	5867	5867	6000	6000	0	6100
Total Supply	6371	6374	6411	6429	0	6527
MY Exports	0	0	0	0	0	0
Crush	6150	6150	6200	6200	0	6250
Food Use Dom. Cons.	0	0	0	0	0	0
Feed Waste Dom. Cons.	45	45	52	52	0	52
Total Dom. Cons.	6195	6195	6252	6252	0	6302
Ending Stocks	176	179	159	177	0	225
Total Distribution	6371	6374	6411	6429	0	6527
Yield	1.7539	1.7789	1.5667	1.7241	0	1.7241
(1000 HA) ,(1000 MT) ,(MT/HA)						

Table 3. Mexico: Production, Supply, and Distribution (PSD) for Sunflower Seed

Oilseed, Sunflowerseed	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 Planted	0	6	0	3	0	3
Area Harvested	8	6	8	3	0	3
Beginning Stocks	2	2	1	0	0	0
Production	10	8	10	5	0	5
MY Imports	25	25	27	27	0	27
Total Supply	37	35	38	32	0	32
MY Exports	0	0	0	0	0	0
Crush	33	33	33	30	0	30
Food Use Dom. Cons.	0	0	0	0	0	0
Feed Waste Dom. Cons.	3	2	3	2	0	2
Total Dom. Cons.	36	35	36	32	0	32
Ending Stocks	1	0	2	0	0	0
Total Distribution	37	35	38	32	0	32
Yield	1.25	1.3333	1.25	1.6667	0	1.6667
(1000 HA) ,(1000 MT) ,(MT/HA)						

Table 4. Mexico: Production, Supply, and Distribution (PSD) for Rapeseed

Oilseed, Rapeseed	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 Planted	0	3	0	3	0	3
Area Harvested	4	3	3	3	0	3
Beginning Stocks	44	44	69	67	0	20
Production	4	2	3	3	0	3
MY Imports	1471	1471	1250	1250	0	1300
Total Supply	1519	1517	1322	1320	0	1323
MY Exports	0	0	0	0	0	0
Crush	1450	1450	1300	1300	0	1315
Food Use Dom. Cons.	0	0	0	0	0	0
Feed Waste Dom. Cons.	0	0	0	0	0	0
Total Dom. Cons.	1450	1450	1300	1300	0	1315
Ending Stocks	69	67	22	20	0	8
Total Distribution	1519	1517	1322	1320	0	1323
Yield	1	0.6667	1	1	0	1
(1000 HA) ,(1000 MT) ,(MT/HA)						

Table 5. Mexico: Production, Supply, and Distribution (PSD) for Peanuts

Oilseed, Peanut	2018/2019		2019/2020		2020/2021	
Market Begin Year	Sep 2018		Sep 2019		Sep 2020	
Mexico	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	57	53	59	48	0	57
Area Harvested	57	52	59	47	0	57
Beginning Stocks	25	25	49	43	0	31
Production	97	91	102	82	0	97
MY Imports	258	258	235	235	0	235
Total Supply	380	374	386	360	0	363
MY Exports	32	32	33	20	0	30
Crush	4	4	4	4	0	4
Food Use Dom. Cons.	295	295	305	305	0	305
Feed Waste Dom. Cons.	0	0	0	0	0	0
Total Dom. Cons.	299	299	309	309	0	309
Ending Stocks	49	43	44	31	0	24
Total Distribution	380	374	386	360	0	363
Yield	1.7018	1.75	1.7288	1.7447	0	1.7018
(1000 HA) ,(1000 MT) ,(MT/HA)						

OILSEED PRODUCTION

Total Mexican oilseeds production in marketing year (MY) 2020/21 is forecast to increase slightly to 355,000 metric tons (MT), approximately 4.4 percent higher than the previous year's revised estimate. However, there is forecast to be higher planted area in only one of the commodities of the oilseeds complex, peanuts. According to the Secretariat of Agriculture and Rural Development (SADER), the planting intentions of peanut growers show that they could again plant an area similar to that of the last few years, due to a lack of better crop alternatives.

However, the cancellation of federal commercialization support programs for medium and large oilseed growers has generated uncertainty regarding the planting intentions for the upcoming year. Private analysts state that the best case scenario is that the planting intentions of soybeans and other oilseeds, such as rapeseed (canola) and sunflower seed, will remain unchanged because of the cancellation of specific supports given by the Mexican government through its agricultural

programs (see Policy Section below for more details). Still, the 355,000 MT of total oilseeds that are expected to be produced in this marketing year is rather low compared to the last few years.

Total oilseeds estimated production for MY 2018/19 and MY 2019/20 were revised downward from the USDA/Official estimate to 439,000 and 340,000 MT, respectively, due to recent official data from SADER. This Secretariat publishes official data for sunflower seed and rapeseed (canola) and peanuts just once a year.

According to private and official sources, soybean production for MY 2020/21 (September-August) is forecast to remain unchanged at 250,000 MT with an estimated 145,000 hectares (ha) of harvested area. This assumes the resumption of normal weather conditions, mainly in the Yucatan peninsula. The predominant determining factor in Mexican soybean yields continues to be weather, given that over 81 percent of Mexico's soybean production area is non-irrigated. This level of production only supplies 4 percent of total domestic consumption, a level similar to a year ago.

For MY 2018/19 and MY 2019/20, soybean production estimates were revised slightly upward based on more complete SADER official data as of February 28, 2020. Similarly, the planted and harvested area estimates for both marketing years are revised downward, reflecting official figures.

Based on official sources, both planted and harvested areas in MY 2019/20 were lower than a year earlier due to adverse dry weather conditions. For example, the severe drought conditions that affected the 2019 Spring/Summer crop, mainly in the important producing state of Tamaulipas, motivated that growers to give up planting soybeans in this crop cycle. Reportedly, growers decided to plant other crops such as sorghum, safflower or cinnamon in the following 2019/20 fall/winter crop cycle. As a result, and based on available information as of February 28, 2020, the soybean planted area in Tamaulipas was only 61,230 ha, 38 percent less area than initially estimated. Similarly, the yields obtained in Tamaulipas were 0.742 MT/Ha (against 1.164 MT/Ha initially estimated). As a result, the soybean production in Tamaulipas was only 43,000 MT compared with 115,200 MT, as originally estimated.

Rapeseed production for MY 2020/21 is forecast to remain stable at just 3,000 MT. Private sources reiterate that the elimination of the oilseed government support, along with several cultivation problems in rapeseed production, disincentivized planting in the upcoming marketing year. Post's total rapeseed production and harvested area for MY 2018/19 were revised downward from previous USDA/Official estimates, reflecting the latest official figures from SADER.

For MY 2020/21, sunflower seed production is forecast to remain stable at 5,000 MT. The production and harvested figures for MYs 2018/19 and 2019/20 have been revised downward from USDA official estimates, reflecting the latest Mexican government data published by SADER. According to both official and private sources, and partly due to the elimination of government supports, growers have decreased their interest in this particular oilseed, despite efforts to promote sunflower seed cultivation by a major multinational seed company. Another important factor was that farmers lacked the knowledge and resources to

implement appropriate production practices for the crop. As a result, the multinational seed company decided to cancel its pilot project to promote increased planting of sunflower seed.

For MY 2020/21, peanut production is forecast at 97,000 MT. This increase is due to an expansion in planted area, according to farmer's stated planting intentions. It should be noted that this level of area planted is similar to the average sowed in the last few years. There are no particular government programs to support peanut production, though some snack food companies help farmers with financing in states like Chihuahua. Private analysts note that peanut production in Mexico does not use current technologies, making Mexican peanuts less competitive compared to peanuts from other origins. The majority of peanut production continues to be non-irrigated.

Peanut production as well as planted and harvested areas estimates have been revised downward for MY 2019/20 from previous estimates, based on updated official data. According to official sources, a lower than previously estimated planted area in states such as Sinaloa and San Luis Potosi was the main reason for less production than initially anticipated. Reportedly, farmers in these states moved productive agricultural land that cycle into what they considered as relatively more profitable alternative crops, such as corn and even tomato. Also, the peanut production estimate and harvested area for MY 2018/19 were lowered slightly, to reflect final official figures from SADER.

OILSEED CONSUMPTION

As a result of the expected economic recession in CY 2020 due to the coronavirus pandemic, total consumption of oilseed products is expected to increase by less than 1.0 percent in MY 2020/21. This slight increase in consumption is attributed to the growth in the livestock sector and to stable population growth. According to private analysts, local poultry production still has the potential for growth in this marketing year if rising supply chain challenges can be managed. They noted that even if COVID-19 is currently expected to worsen the Mexico economic slowdown, poultry demand could benefit due to its price competitiveness as the most affordable type of animal protein. In addition, industry sources noted that the reduced growth predicted this year reflects the expectation that consumers may have less purchasing power than in previous years. According to the animal feed industry, for example, poultry producers estimate that increase in consumption of oilseed meals could still be around 2 percent in CY 2021. This is lower than in the last few years, when the poultry sector estimated the oilseed meals consumption increase to be between 4-5 percent. The poultry sector continues to be the major consumer of soybean meal in Mexico. As in previous years, price and credit availability continue to be the main factors driving consumption decisions for oilseeds and its by-products. The total oilseed consumption estimates for MYs 2018/19 and 2019/20 have both been revised downward based on more current industry information.

Large companies such as Ragasa, Agydsa, Cargill, Proteinas y Oleicos, and ADM continue to represent approximately 88 percent of crushing capacity in Mexico. Competition between these firms continues to be intense. In order to stay competitive, these firms have made significant investments in their plants in recent years with an eye toward reducing costs and expanding services. However, according to private sources, due to the uncertainty generated by the current

unfavorable economic conditions, it is very probable that these main crusher companies will detain or postpone additional investments in their plants to expand crushing capacity.

Soybean domestic consumption is expected to increase nearly one percent in MY 2020/21. The main factors driving this slight increase is the still expected increase in feed demand and in population growth (1.01 percent).

Due to its higher oil content, rapeseed (canola) consumption is expected to increase slightly to 1,315 MMT in MY 2020/21. Private sources stated that Mexican crushers have a market for canola oil and they import canola when the price is competitive.

Sunflower seed consumption is forecast to remain unchanged in MY 2020/21 at 32,000 MT. Just a few companies continue to be interested in processing sunflower seeds and as result the demand has remained relatively stable. Also, no change is expected in the approximately 2,000 MT of sunflower seed that is used mainly for bird feed. Reportedly, a limited amount of sunflower seed is believed to be used for direct consumption as a snack, though there are no reliable estimates for this use.

For MY 2020/21, peanut consumption could remain unchanged due to the recessive economic conditions. Peanuts continue to be consumed as an impulse purchase at points of sale in Mexico (e.g., cash register lines) and therefore are highly dependent on the macroeconomic situation. In Mexico peanuts are used almost entirely as a snack food, with practically no crushing or processing occurring.

OILSEED TRADE

The Post total oilseed import forecast for MY 2020/21 is estimated to increase to 7.66 MMT, a 1.9 percent increase in comparison with the estimated of MY 2019/20. This increase is driven by population growth (1.01 percent) and the expected slight growth in Mexico's livestock sector, mainly in poultry. It should be noted that this increase assumes that the high volatility in the currencies market and even in the oilseeds international trade will be reduced by CY 2021.

Some industry sources have expressed their concerns that the strong U.S. dollar could lead to sluggish imports of oilseeds. After a year of relative stability for the Mexican peso in 2019, the latest financial crisis surrounding the world-wide outbreak of COVID-19 has brought a sharp devaluation of the peso relative to the U.S. dollar. Assuming that the peso strengthens in CY 2021 as the crisis eases, the adverse effects in the oilseeds trade could be diminished. Additionally, the main importing companies regularly set up hedging contracts that include exchange rate coverage, which could mitigate the adverse effect of volatility in the exchange rate.

Another factor that could also help compensate for a strong dollar is the expectation of a relatively bearish international soybean market in MY 2020/21. According to private analysts, volatility will remain high in the near-term from potential port/border closures that carry the potential to interrupt and shift global oilseeds trade. For example, soybean and soy by-product prices may be threatened by high volatility in the short term, lurching between demand

depression and global supply risks. However, by late summer, private sources hope that COVID-19's disruption to global trade will abate, and the world, including Mexico, will emerge from isolation to begin restocking its soybean supplies.

Soybean imports are expected to increase 100,000 MT in MY 2020/21 to 6.1 MMT because of the moderate increase in feed demand, strong processor demand, and population growth. In animal feed demand, Post expects growing demand from poultry producers since poultry meat is one of the cheapest animal protein sources for Mexican consumers. Soybeans continue to be the primary oilseed imported by Mexico that is crushed domestically, a trend that should continue in the foreseeable future. The United States will continue to be the main supplier of soybeans to Mexico.

For MY 2020/21, the rapeseed import forecast is estimated to increase 1.1 percent to 1.3 MMT over the official MY 2019/20 estimate. This increase assumes a relatively bearish international market due to the possibility of a good rapeseed (canola) crop in Canada, which continues to be the primary supplier to the Mexican market.

Sunflower seed imports are forecast to remain unchanged at 27,000 MT in MY 2020/21 due to a stable domestic demand. Private sources state that Mexico's import decisions will continue to be based largely on prices, and to a lesser extent on quality and consumer preferences.

Total peanut imports should remain unchanged in MY 2020/21 as a result of the economic recession and lower purchasing power. The United States continues to be the largest supplier of peanuts in Mexico and it expected to remain so in the next few years. According to private sources, Mexican processors identify U.S. peanuts as a high quality product and consider it a tastier legume because of its high oleic acid levels. Mexico exports a small volume of peanuts each year, with the United States as the primary export market. Exports are forecast to grow to 30,000 MT. Peanut export estimates for MY 2019/20 have been revised downward to reflect lower than previously estimated domestic production.

OIL MEALS: PRODUCTION, SUPPLY AND DEMAND STATISTICS

Table 6. Mexico: Production, Supply, and Distribution (PSD) for Total Meals

	TOTAL OILMEALS				
(1000 MT)	2018		2019		2020
	USDA Official	New Post	USDA Official	New Post	New Post
Crush	7,633	7,633	7,533	7,530	7,595
Extr. Rate					
Beginning stocks	54	54	166	166	81
Production	5,709	5,709	5,664	5,663	5,758
MY imports	1,850	1,850	1,940	1,940	2,046
TOTAL SUPPLY	**7,613**	**7,613**	**7,770**	**7,769**	**7,885**
MY Exports	8	8	10	10	10
Industrial Dom. Consum	-	-	-	-	-
Food Use Dom. Consump.	50	50	50	50	50
Feed,Seed, Waste Dm.Cn.	7,389	7,389	7,629	7,628	7,743
Total Dom. Consumption	7,439	7,439	7,679	7,678	7,793
Ending Stocks	166	166	81	81	82
TOTAL DISTRIBUTION	**7,613**	**7,613**	**7,770**	**7,769**	**7,885**

Table 7: Mexico: Production, Supply, and Distribution (PSD) for Soybean Meal

Meal, Soybean	2018/2019		2019/2020		2020/2021	
Market Begin Year	Sep 2018		Sep 2019		Sep 2020	
Mexico	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Crush	6150	6150	6200	6200	0	6250
Extr. Rate, 999.9999	0.7902	0.7902	0.7903	0.7903	0	0.7976
Beginning Stocks	41	41	154	154	0	69
Production	4860	4860	4900	4900	0	4985
MY Imports	1836	1836	1925	1925	0	2030
Total Supply	6737	6737	6979	6979	0	7084
MY Exports	8	8	10	10	0	10
Industrial Dom. Cons.	0	0	0	0	0	0
Food Use Dom. Cons.	50	50	50	50	0	50
Feed Waste Dom. Cons.	6525	6525	6850	6850	0	6955
Total Dom. Cons.	6575	6575	6900	6900	0	7005
Ending Stocks	154	154	69	69	0	69
Total Distribution	6737	6737	6979	6979	0	7084
(1000 MT) ,(PERCENT)						

Table 8. Mexico: Production, Supply, and Distribution (PSD) for Sunflower Seed Meal

Meal, Sunflowerseed	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
Crush	33	33	33	30	0	30
Extr. Rate, 999.9999	0.4242	0.4242	0.4242	0.4333	0	0.4333
Beginning Stocks	0	0	0	0	0	0
Production	14	14	14	13	0	13
MY Imports	0	0	0	0	0	0
Total Supply	14	14	14	13	0	13
MY Exports	0	0	0	0	0	0
120Industrial Dom. Cons.	0	0	0	0	0	0
Food Use Dom. Cons.	0	0	0	0	0	0
Feed Waste Dom. Cons.	14	14	14	13	0	13
Total Dom. Cons.	14	14	14	13	0	13
Ending Stocks	0	0	0	0	0	0
Total Distribution	14	14	14	13	0	13
(1000 MT) ,(PERCENT)						

Table 9. Mexico: Production, Supply, and Distribution (PSD) for Rapeseed Meal

Meal, Rapeseed	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
Crush	1450	1450	1300	1300	0	1315
Extr. Rate, 999.9999	0.5759	0.5759	0.5769	0.5769	0	0.5779
Beginning Stocks	13	13	12	12	0	12
Production	835	835	750	750	0	760
MY Imports	14	14	15	15	0	16
Total Supply	862	862	777	777	0	788
MY Exports	0	0	0	0	0	0
Industrial Dom. Cons.	0	0	0	0	0	0
Food Use Dom. Cons.	0	0	0	0	0	0
Feed Waste Dom. Cons.	850	850	765	765	0	775
Total Dom. Cons.	850	850	765	765	0	775
Ending Stocks	12	12	12	12	0	13
Total Distribution	862	862	777	777	0	788
(1000 MT) ,(PERCENT)						

OIL MEAL PRODUCTION

The Post/New forecast for all oil meal production in MY 2020/21 is increased approximately 1.7 percent to 5.758 million metric tons (MMT) in response to expected moderate growth in the livestock sector. The outlook for the poultry sector is slightly optimistic for 2020, despite the uncertainty in Mexican economy due to the complex economic scenario caused by the COVID-19. As mentioned above, Mexico's economy is projected to decline considerably in 2020 due to multiple factors, including low oil prices and the latest financial crisis surrounding the world-wide outbreak of COVID-19.

The poultry sector continues to be the major consumer of oilseed meals in Mexico for mixing with other grains for compound feed (mainly soybean meal). 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, albeit at a very measured pace compared to previous years. 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 is also growing because of both vertical integration of farms as well as better biosecurity measures. This trend could continue assuming that the Mexican economy recovers slightly in CY 2021 and that relatively steady feed prices and favorable zoo-sanitary conditions prevail. Mexico's beef exports are also expected to increase, considering that Mexican beef will benefit in terms of competitiveness (due to the peso devaluation against foreign currencies), especially in Asian markets where high-labor, added-value meat products command a price premium. The domestic pork industry has also continued growing, as consumers lean towards more affordable animal proteins.

High-protein soybean meal continues to account for approximately 86.6 percent of total Mexican oil meal production as in the last few years, while the production of meal from imported rapeseed accounts for 13.2 percent of total meal. Total soybean meal production forecast for MY 2020/21 is 4.985 MMT, due to the expected moderate growth in the livestock (mainly poultry) sector. Similarly, rapeseed production is forecast to increase slightly in MY 2020/21 to 760,000 MT, reflecting the expected slight increase in domestic pork production 2020. The pork industry continues to be a major consumer of rapeseed meal in Mexico.

Sunflower seed meal production is forecast to remain unchanged at 13,000 MT in MY 2020/21. Stable crushing levels and relatively weak demand for sunflower meal will limit opportunities for increased production. Sunflower seed meal is considered an excellent livestock feed, especially for ruminants. However, industry sources point out that lower levels of lysine and threonine may create some restrictions on non-ruminant uses of sunflower seed meal. The total sunflower seed meal production estimate for MY 2019/20 has been revised downward, based on more current industry information.

MEAL CONSUMPTION

A weaker economy in Mexico, compared to recent years, will inhibit to some extent demand for protein meal consumption in MY 2020/21. Therefore, consumption of all oil meal products is expected to increase by only 1.5 percent to 7.793 MMT. This reflects the expected coronavirus-induced economic downturn in the Mexican economy compared to previous years; for example, in MY 2019/20, the meal consumption increased approximately 3.9 percent compared to a year earlier. The expected demand should be covered mainly by domestically-produced meal. In addition, the projected consumption increase for oil meal products is primarily driven by a slightly enhanced domestic demand from the livestock sector (mainly poultry and swine industries).

Sources in the animal feed sector reiterate that the composition of ingredients in compound feed has been traditionally stable, with only small adjustments made in the composition depending on the price and availability of oilseeds meals and other ingredients (see the Distillers Dried Grain with Solubles - DDGS - section below). Also, these sources indicate that the primary factors that impact feed millers' procurement decisions are the cost of raw materials and protein content (i.e.

quality) of animal feed. Sources consider that soybean meal, corn gluten, and DDGS, among others, are the three ingredients that are complements in the formulation of compound feed, although sometimes they compete depending on market prices. Therefore, raw material costs continue to be essential in procurement decisions.

Soybean meal consumption is expected to increase by 1.5 percent in MY 2020/21, due to the expanding poultry industry. Soybean meal is used primarily for poultry feed rations. For MY 2020/21, sunflower seed meal consumption is expected to remain unchanged at 13,000 MT. Demand for sunflower seed meal continues to be fairly weak, as industry sources note that protein levels and other characteristics provide limited opportunities for use of sunflower meal outside of cattle feed.

Rapeseed meal consumption is expected to reach 10 percent of total meal consumption in MY 2020/21, which is similar to levels from a year before. Rapeseed meal continues to be used mainly by the pork industry, although the dairy industry also consumes some of this product. Feed industry sources indicate that rapeseed meal, when added to a dairy cow's diet, has proven to boost milk production. However, the crushing industry and feed manufacturers complain about its high fiber content and lower protein content, which has lowered its acceptance. In addition, private sources note that rapeseed is crushed for its oil content primarily, and that rapeseed meal may be sold at a discount compared to soybean meal, due to its lower protein content.

Mexico's Protein Content on a Soy Meal Equivalent Basis (SME)

SME	2018/2019	2019/20	2020/21
Sunflower Seed Meal	9	9	9
Rapeseed Meal	605	544	551
Soybean Meal	6,525	6,850	6,955
Total	7,139	7,403	7,515

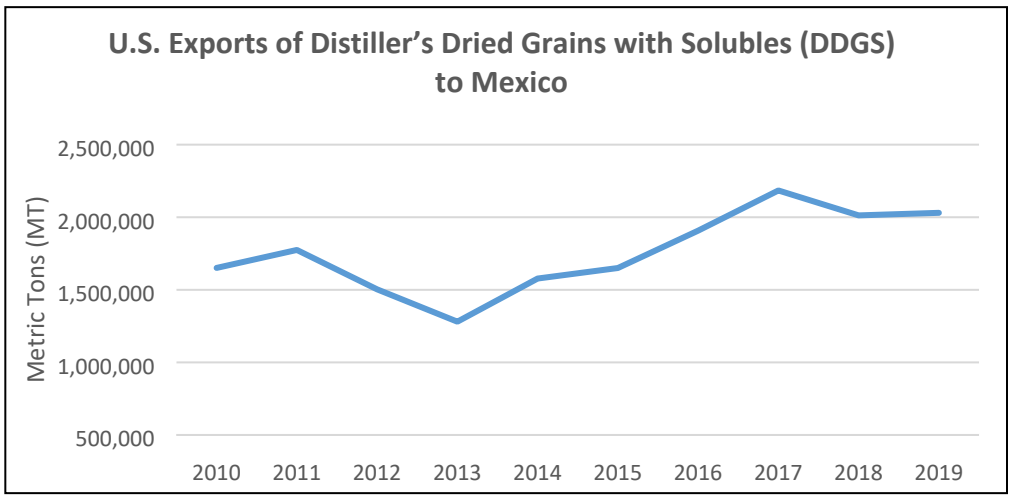
MEAL TRADE

As a result of the high domestic crushing capacity, oil meal imports represent only a small portion of total Mexican consumption, approximately 26.2 percent, which is slightly higher than a year earlier. Total meal import forecast is increased slightly in MY 2020/21 driven by the expected higher demand of the hog and poultry sectors, which, as noted above, expect to have a slightly positive performance in the calendar year 2021. Almost all of Mexico's oil meal imports continue to be soybean meal from the United States, which should remain the main external supplier, with negligible amounts of imports from South America. For MY 2020/21, rapeseed meal imports are expected to increase slightly to 16,000 MT reflecting a slight increase of ruminant and pork sectors. Given the relatively limited demand for sunflower seed meal, there has been virtually no trade in this product for the past several years.

DISTILLERS DRIED GRAIN WITH SOLUBLES (DDGS) TRADE

Private industry sources state that the demand for distiller's dried grains with solubles (DDGS), a co-product of corn-based ethanol production that is used mainly as an animal feed protein supplement, has been relatively stable over the last couple of years.
DDGS is regularly used as a substitute for oilseed meal in feed concentrate formulas. However, as international prices of soybean meal have declined, the Mexican livestock and feed industry has increased its use of soybean meal, resulting in a leveling off of DDGS imports. (see graphic below) However, private sources estimate that the DDGS imports could decrease in CY 2020 as a result of the economic effects of the COVID-19 pandemic and worldwide low oil prices that are in turn driving down ethanol prices. As a result, there could be a lack of DDGS supply available for import by the Mexican livestock and feed industry.

It should be noted that although the composition of ingredients in compound feed is stable in general, small adjustments can be made depending on the price of other ingredients and availability of oilseed meals. For example, the percentage of corn gluten used in compound feed is generally lower than the amount of DDGS due to corn gluten's higher price. Other ingredients used in feed concentrate formulas are fish and meat meal. In general, animal feed sources note that the trend to use soybean meal instead of DDGS is expected to continue through CY 2020.



OILS: PRODUCTION, SUPPLY AND DEMAND STATISTICS

Table 11. Mexico: Production, Supply, and Distribution (PSD) for Total Oils

	TOTAL OILS				
(1000 MT)	2018		2019		2020
	USDA Official	New Post	USDA Official	New Post	New Post
Crush	7,633	7,633	7,533	7,530	7,595
Extr. Rate					
Beginning stocks	244	244	255	218	204
Production	1,674	1,674	1,625	1,624	1,644
MY imports	376	339	385	345	352
TOTAL SUPPLY	**2,294**	**2,257**	**2,265**	**2,187**	**2,200**
MY Exports	39	39	43	43	43
Industrial Dom. Consum	-	-	-	-	-
Food Use Dom. Consump.	2,000	2,000	2,000	1,940	1,961
Feed,Seed, Waste Dm.Cn.	-	-	-	-	-
Total Dom. Consumption	2,000	2,000	2,000	1,940	1,961
Ending Stocks	255	218	222	204	196
TOTAL DISTRIBUTION	**2,294**	**2,257**	**2,265**	**2,187**	**2,200**

Table 12. Mexico: Production, Supply, and Distribution (PSD) for Soybean Oil

Oil, Soybean	2018/2019		2019/2020		2020/2021	
Market Begin Year	Sep 2018		Sep 2019		Sep 2020	
Mexico	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Crush	6150	6150	6200	6200	0	6250
Extr. Rate, 999.9999	0.1789	0.1789	0.179	0.179	0	0.1792
Beginning Stocks	177	177	181	181	0	186
Production	1100	1100	1110	1110	0	1120
MY Imports	154	154	170	170	0	172
Total Supply	1431	1431	1461	1461	0	1478
MY Exports	10	10	15	15	0	17
Industrial Dom. Cons.	0	0	0	0	0	0
Food Use Dom. Cons.	1240	1240	1260	1260	0	1275
Feed Waste Dom. Cons.	0	0	0	0	0	0
Total Dom. Cons.	1240	1240	1260	1260	0	1275
Ending Stocks	181	181	186	186	0	186
Total Distribution	1431	1431	1461	1461	0	1478
(1000 MT) ,(PERCENT)						

Table 13. Mexico: Production, Supply, and Distribution (PSD) for Sunflower Seed Oil

Oil, Sunflowerseed	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
Crush	33	33	33	30	0	30
Extr. Rate, 999.9999	0.4242	0.4242	0.4545	0.4667	0	0.4667
Beginning Stocks	37	37	40	3	0	6
Production	14	14	15	14	0	14
MY Imports	110	73	100	60	0	55
Total Supply	161	124	155	77	0	75
MY Exports	21	21	21	21	0	20
Industrial Dom. Cons.	0	0	0	0	0	0
Food Use Dom. Cons.	100	100	110	50	0	50
Feed Waste Dom. Cons.	0	0	0	0	0	0
Total Dom. Cons.	100	100	110	50	0	50
Ending Stocks	40	3	24	6	0	5
Total Distribution	161	124	155	77	0	75
(1000 MT) ,(PERCENT)						

Table 14. Mexico: Production, Supply, and Distribution (PSD) for Rapeseed Oil

Oil, Rapeseed	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
Crush	1450	1450	1300	1300	0	1315
Extr. Rate, 999.9999	0.3862	0.3862	0.3846	0.3846	0	0.3878
Beginning Stocks	30	30	34	34	0	12
Production	560	560	500	500	0	510
MY Imports	112	112	115	115	0	125
Total Supply	702	702	649	649	0	647
MY Exports	8	8	7	7	0	6
Industrial Dom. Cons.	0	0	0	0	0	0
Food Use Dom. Cons.	660	660	630	630	0	636
Feed Waste Dom. Cons.	0	0	0	0	0	0
Total Dom. Cons.	660	660	630	630	0	636
Ending Stocks	34	34	12	12	0	5
Total Distribution	702	702	649	649	0	647
(1000 MT) ,(PERCENT)						

OIL PRODUCTION

Total vegetable oil production for MY 2020/21 is forecast to increase by only one percent to 1.6 MMT. This increase is driven by population growth (1.01 percent) and assumes a slight recovery in the Mexican economy after the high volatility and economic down turn in 2020. Mexico's Treasury (*Secretaria de Hacienda*) recently lowered its growth projections for the economy in the face of the spreading COVID-19 pandemic and predicts the economy could either contract as much as 3.9 percent in 2020 or continue with no growth in the best-case scenario. However, it also predicts a recovery of between 1.5 and 3.5 percent in 2021, after the COVID-19 pandemic has passed.

Private sources noted that crushing continues to be determined by domestic oil demand. Reportedly, crushers are operating at approximately 65.5 percent of capacity on average. Industry sources stated that the total capacity of Mexican crushing industry is nearly 11.0 MMT.

Soybean oil remains the major oil produced domestically, accounting for 68 percent of total production, while rapeseed oil represents 31 percent and sunflower oil only 0.8 percent of total production. For MY 2020/21, soybean oil production is forecast to increase approximately one percent over MY 2019/20, reflecting basically population growth rate, as stated.

Rapeseed oil production is forecast to increase 2 percent to reach 510,000 MT, assuming affordable prices of imported rapeseed that can be crushed domestically to keep pace with consumption. Price continues to be the predominant factor in marketing oilseeds, as demand is price elastic and companies can substitute some oilseeds for others. Given steady crush volumes, MY 2020/21 production of sunflower oil is expected to remain stable at approximately 14,000 MT.

OIL CONSUMPTION

For MY 2020/21, total oil consumption is expected to increase marginally (approximately 1.1 percent). This increase will be driven by population growth and increased demand in specific market niches of the retail sector. According to industry sources, some big companies that have invested in marketing and developed retail labels have been able to deal better with the economic slowdown. Companies such as Ragasa and Agydsa have continued to package and market oil as a retail vegetable oil in its own right. For example, pure soybean oil under the label "Nutrioli" was bottled and launched by Ragasa many years ago. It currently continues to have a strong consumer demand because it is located in the high-income market segment. Similarly, Agydsa has the retail label "Canoil" (rapeseed) which is successfully promoted as a healthy vegetable oil and continues to have strong consumer demand. Reportedly, those companies organized advertising campaigns, which included television and radio spots, billboards, and press promotion. However, private sources state that because these labels are already positioned in their market segment, these advertising campaigns have diminished and are now focused only on special events (i.e. televised soccer finals or the final chapter of soap operas).

On the other hand, vegetable oil use, which has shown robust growth in recent years due to a booming hotel, restaurant and institutional sector, is expected to grow more slowly in 2020-21 due to the impact of COVID-19 on demand for hotel and culinary services. The outbreak of the disease in February 2020 ushered in a period of restaurant closures and government-imposed restrictions on large gatherings, public transportation, and movement within and between some tourist areas, dampening demand in the restaurant and tourism sectors.

Meanwhile, stagnating salaries and relatively lower disposable incomes could cause Mexico's cooking oil sector to face sluggish demand growth in MY 2020/21. However, industry sources reiterate that vegetable oil demand is income inelastic and therefore people will continue consuming vegetables oils. In difficult economic times, consumers may shift to cheaper protein sources (e.g. from pork to eggs or beans) but typically do not significantly change the amount of their vegetable oil consumption. According to private industry data, current per capita consumption of vegetable oils is approximately 18 kg, of which between 12-13 kg is cooking oil for home use and the remaining 5-6 kg is HRI and industrial consumption.

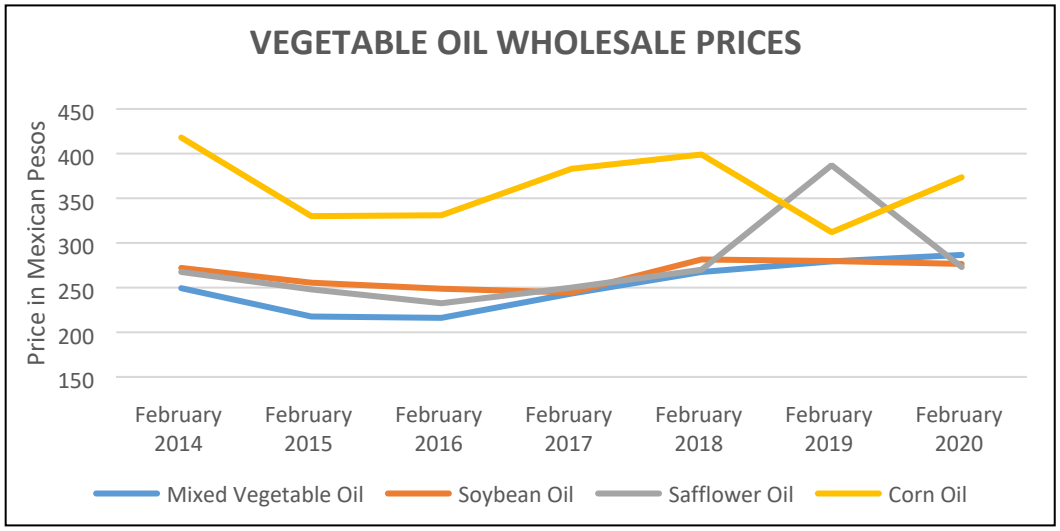
The industrial sector, including snack food and bakery manufacturers (such as Uniliver, Nestle, Bimbo, Gamesa, Pepsico-Frito Lay, etc.), have continued the trend of cooking with vegetable oils with reduced linolenic acid, which are lower in trans fatty acids (such as palm oil) than many hydrogenated oils (i.e. soybean oil).

For MY 2020/21, soybean oil consumption is forecast slightly higher to 1.275 MMT, with an almost 1.2 percent increase reflecting population growth, as was mentioned above. Soybean oil continues to be the dominant oil consumed in Mexico.

Rapeseed oil consumption is also expected to increase moderately in MY 2020/21 to 636,000 MT, due to market preferences for this vegetable oil. The consumption estimate for sunflower oil for MY 2019/20 has been revised downward to 50,000 MT, based on revision by private industry sources. It is forecast to remain stable in MY 2020/21. These sources state that sunflower oil continues to be a fairly expensive option for many companies, which reduces its consumption. The relatively high cost of sunflower oil also limits home use, as Mexico continues to be price-sensitive market.

Vegetable Oil Wholesale Prices (Mexican Pesos)			
Variety	**Presentation**	**February 2019**	**February 2020**
Mixed Vegetable	1 lt. 12 bottle box	279.37	286.60
Soybean Oil	1 lt. 12 bottle box	279.75	276.50
Corn Oil	1 lt. 12 bottle box	312.00	373.50
Safflower Oil	1 lt. 12 bottle box	387.00	273.00

Source: Servicio Nacional de Informacion de Mercados, SNIM SE
Exchange Rate (April 7, 2020) US $1:00 = 24.11 Pesos



Source: Servicio Nacional de Informacion de Mercados, SNIM SE
Exchange Rate (April 7, 2020) US $1:00 = 24.11 Pesos

OIL TRADE

Total oil imports for MY 2020/21 are estimated to increase slightly to 352,000 MT. The expected downturn in the Mexican economy, as well as the expanded crushing and refining capacity of the main companies, are the main factors driving the slight imports increase.

Total oil import figures for MYs 2018/19 and 2019/20 have been adjusted downward based on Trade Data Monitor (TDM) information in the first year and industry sources in the second year.

For MY 2020/21, soybean oil imports are forecast to increase moderately to 172,000 MT. The United States continues to be the main supplier of soybean oil into Mexico's market and, due to lower freight costs, should maintain and potentially increase its share of the import market.

Rapeseed oil imports for MY 2020/21 are estimated to reach 125,000 MT, assuming affordable international prices and a slight recovery of the Mexican economy in CY 2021.

Imports of sunflower oil are forecast to decrease to 55,000 MT based on the revised MY 2019/20 estimate. The MY 2018/19 and MY 2019/20 estimates have been revised to 73,000 and 60,000 MT, respectively, based on TDM data in the first year and private industry information for the second year. Oil sector contacts note that prices for sunflower oil were very high in these years, especially compared to alternative vegetable oils. They also state that only a few snack food manufacturers use sunflower oil due to its nutritional characteristics, so overall demand for imported sunflower oil was very low.

Mexico exports small volumes of sunflower/safflower oil, mainly to the United States. For MY 2020/21, exports are forecast to decline slightly to 20,000 MT as a result of the stagnant domestic production of sunflower oil.

STOCKS

In general, industry sources report that there is no standard or average volume of stocks of oilseeds and vegetable oils that companies tend to hold. Each company has different stocks levels depending on their own company policies and/or requirements. However, the rationale for stock levels seems to depend on the location of the crushing and refinery plants. For example, Ragasa keeps two weeks of utilization as stocks of oilseeds or vegetable oils. Ragasa facilities are located at the north of the country, in Nuevo Leon, and its import requirements are accomplished by train. Agydsa, which has its facilities in Jalisco and Veracruz, holds a level of 60 days of utilization as stocks. This company imports their oilseeds requirements by ship.

Due to the proximity of the United States, their main oilseed supplier, as well as affordable freight costs, many crusher and vegetable oil companies choose not to keep stocks as they purchase these products on an "as needed" basis. Industry sources note that companies do not regularly hold oilseed meal stocks. Since the main Mexican oil refinery and crusher companies have continued investing in their facilities, they have sufficient capacity to hold as much stocks of oilseeds or vegetable oils as necessary.

GOVERNMENTAL POLICY AND AGRICULTURAL SUPPORTS

The current administration of President Andres Manuel Lopez Obrador has continued implementing changes to Mexico's agricultural support system. The administration's focus continues to be on providing supports to poor small farmers, while supports to larger commercial operations have been reduced substantially or even cancelled. In particular, despite its focus on self-sufficiency and import substitution, the Lopez Obrador Administration does not prioritize oilseed production as a target for government programs. For example, SADER's flagship Guarantee Prices Program includes no oilseed commodities. In fact, the only program that includes oilseed commodities is the Production for Wellbeing program (see below).

The administration's focus on small farmers has generated frustration and uncertainty for medium-sized and large farmers due to the lack of support for commercial agriculture. Several private and official sources concur that the factor that could most affect 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 for agriculture 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 programs. Both of these were formerly combined into 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 compensate for the cancellation of these programs, SADER indicates 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 in this new program would be paid by the producer and financed through governmental financial entities but without preferential interest rates. 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. Contrary to SADER's claims that the new program brings greater certainty to producers, farmers' organizations state 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, although it maintains 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 and PIMAF programs were automatically included in the new Production for Wellbeing system. On February 7, 2020, SADER published the Operational Rules of the Production for Wellbeing Program in Mexico's Federal Register (*Diario Oficial*).

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 Small Grower 0.2 ha irrigated	1,600 pesos (66.39 USD)
	Registered under PIMAF, with up to 3 ha	
Medium Grower	Registered under Proagro, with 5-20 ha	1,000 pesos (41.47 USD)

According to the new operational rules, a total of eleven billion pesos (approximately 456.2 million USD) will be available for this program in 2020. In January 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 a total of 11.2 billion pesos (roughly 465 million USD) were granted in support of 2.1 million producers, who cultivate 6.8 million ha. Of this amount, 9.4 billion pesos (390 million USD) 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 beneficiary producers within 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.

For More Information:

Visit the FAS headquarters' home page at www.fas.usda.gov for a complete selection of FAS worldwide agricultural reporting.

Other Relevant Reports Submitted by FAS/Mexico:

Report Number	Subject	Date Submitted
MX2019-2043	Mexico Announces New Agricultural Support Programs	4/5/2019
MX2019-1206	Lack of Supports to Slow Oilseed Production, while Meal and Oil Remain Stable	4/1/2019
MX2019-2042	Mexico Announces New "Production for Wellbeing" Support Program	2/7/2019
MX2018-2062	Mexico Announces Increased Target Prices for Key Staple Crops	6/1/2018
MX2018-1515	Economic Uncertainty to Drag on Oilseed Sector Growth | Oilseeds and Products	4/3/2018
MX2017-1553	Slight Increase Expected in Crushing Despite Decline in Oilseed Production	4/12/2017

Attachments:

No Attachments