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Prepared By: Benjamin Juarez

Approved By: Andre Bradley

Report Highlights:

Oilseed production is met with mixed expectations in 2022. Total soybean production is forecast to increase slightly due to higher planted area in marketing year (MY) 2022/23. However, the cancellation of federal commercialization support programs for medium and large oilseed growers has discouraged the planting intentions for the upcoming year. Mexico's oilseed crushing is forecast to increase by approximately 2.9 percent in MY 2022/23, despite the expected slowdown in Mexico's economy. On other hand, total consumption of oilseed products is expected to increase a mere 2.7 percent in MY 2022/23 because of the economic slowdown and relatively sluggish demand triggered by persistent inflation.

EXECUTIVE SUMMARY

Oilseed production is met with mixed expectations in 2022. Total soybean production is forecast to increase slightly due to higher planted area in marketing year (MY) 2022/23. However, the cancellation of federal commercialization support programs for medium and large oilseed growers has discouraged the planting intentions for the upcoming year.

Consequently, peanut production is forecast to go unchanged at 92,000 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 previous years due to the lack of government supports.

Mexico's oilseed crushing is forecast to increase by approximately 2.9 percent in MY 2022/23, despite the expected slowdown in Mexico's economy. This increase is driven by the continued demand for meals in the livestock sector, stable population growth, and the gradual recovery of the Hotel Restaurant and Institutional (HRI: hotels, restaurants, cinemas, theaters, stadiums, etc.) sector in the case of vegetable oil demand.

On other hand, total consumption of oilseed products is expected to increase a mere 2.7 percent in MY 2022/23 because of the economic slowdown and relatively sluggish demand triggered by persistent inflation. With Mexico's expected macro-economic slowdown, price should continue to be the main factor in oilseed sales. It should be noted that recently Mexico's Central Bank (Banxico) cut its Gross Domestic Product (GDP) growth projection for 2022 to 2.4 percent from its previous estimate of 3.2 percent. Banxico cited the pandemic's uncertain economic impact and its disruptive effects on the supply chain, as well as persistent high inflation rates as the main reasons for the revised figure. Private analysts also revised their initial growth expectations down to 2 percent, whereas the International Monetary Fund (IMF) foresees a 2.8 percent GDP growth.

OILSEEDS: PRODUCTION, SUPPLY AND DEMAND STATISTICS

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

Total Oilseeds Market Year Begins	2020/2021		2021/2022		2022/2023	
	Sep 2020		Sep 2021		Sep 2022	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Mexico						
Area Planted (1000 HA)	219	225	243	254	0	257
Area Harvested (1000 HA)	227	224	247	248	0	252
Beginning Stocks (1000 MT)	441	441	597	601	0	571
Production (1000 MT)	363	359	392	392	0	402
MY Imports (1000 MT)	7,782	7,790	7,670	7,670	0	7,903
MY Imp. from U.S. (1000 MT)	5,113	5,112	5,712	5,712	0	5,662
MY Imp. from EU (1000 MT)	0	0	0	0	0	0
Total Supply (1000 MT)	8,586	8,590	8,659	8,663	0	8,876
MY Exports (1000 MT)	27	27	28	28	0	28
MY Exp. to EU (1000 MT)	0	0	0	0	0	0
Crush (1000 MT)	7,628	7,628	7,729	7,729	0	7,940
Food Use Dom. Cons. (1000 MT)	280	280	280	280	0	285
Feed Waste Dom. Cons. (1000 MT)	54	54	55	55	0	54
Total Dom. Cons. (1000 MT)	7,962	7,962	8,064	8,064	0	8,279

Ending Stocks (1000 MT)	597	601	567	571	0	569
Total Distribution (1000 MT)	8,586	8,590	8,659	8,663	0	8,876
(1000 HA) ,(1000 MT) ,(MT/HA)						

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

Oilseed, Soybean Market Year Begins Mexico	2020/2021		2021/2022		2022/2023	
	Sep 2020		Sep 2021		Sep 2022	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted (1000 HA)	160	160	190	192	0	195
Area Harvested (1000 HA)	156	156	185	186	0	190
Beginning Stocks (1000 MT)	366	366	462	462	0	500
Production (1000 MT)	246	246	290	290	0	300
MY Imports (1000 MT)	6101	6101	6200	6200	0	6370
MY Imp. from U.S. (1000 MT)	4924	4924	5500	5500	0	5650
MY Imp. from EU (1000 MT)	0	0	0	0	0	0
Total Supply (1000 MT)	6713	6713	6952	6952	0	7170
MY Exports (1000 MT)	0	0	0	0	0	0
MY Exp. to EU (1000 MT)	0	0	0	0	0	0
Crush (1000 MT)	6200	6200	6400	6400	0	6590
Food Use Dom. Cons. (1000 MT)	0	0	0	0	0	0
Feed Waste Dom. Cons. (1000 MT)	51	51	52	52	0	51
Total Dom. Cons. (1000 MT)	6251	6251	6452	6452	0	6641
Ending Stocks (1000 MT)	462	462	500	500	0	529
Total Distribution (1000 MT)	6713	6713	6952	6952	0	7170
CY Imports (1000 MT)	6200	6200	6200	6200	0	6400
CY Imp. from U.S. (1000 MT)	5000	5000	5600	5600	0	5700
CY Exports (1000 MT)	0	0	0	0	0	0
CY Exp. to U.S. (1000 MT)	0	0	0	0	0	0
Yield (MT/HA)	1.5769	1.5769	1.5676	1.5591	0	1.5789
(1000 HA) ,(1000 MT) ,(MT/HA)						

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

Oilseed, Sunflowerseed Market Year Begins Mexico	2020/2021		2021/2022		2022/2023	
	Oct 2020		Oct 2021		Oct 2022	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted (1000 HA)	0	6	0	6	0	6
Area Harvested (1000 HA)	9	6	6	6	0	6
Beginning Stocks (1000 MT)	2	2	3	6	0	6
Production (1000 MT)	12	8	8	8	0	8
MY Imports (1000 MT)	22	23	20	20	0	18
MY Imp. from U.S. (1000 MT)	10	9	0	0	0	0
MY Imp. from EU (1000 MT)	0	0	0	0	0	0
Total Supply (1000 MT)	36	33	31	34	0	32
MY Exports (1000 MT)	0	0	0	0	0	0
MY Exp. to EU (1000 MT)	0	0	0	0	0	0
Crush (1000 MT)	30	24	25	25	0	26
Food Use Dom. Cons. (1000 MT)	0	0	0	0	0	0
Feed Waste Dom. Cons. (1000 MT)	3	3	3	3	0	3
Total Dom. Cons. (1000 MT)	33	27	28	28	0	29
Ending Stocks (1000 MT)	3	6	3	6	0	3
Total Distribution (1000 MT)	36	33	31	34	0	32

CY Imports (1000 MT)	15	15	20	20	0	20
CY Imp. from U.S. (1000 MT)	10	10	10	10	0	10
CY Exports (1000 MT)	0	0	0	0	0	0
CY Exp. to U.S. (1000 MT)	0	0	0	0	0	0
Yield (MT/HA)	1.3333	1.3333	1.3333	1.3333	0	1.3333
(1000 HA) ,(1000 MT) ,(MT/HA)						

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

Oilseed, Rapeseed Market Year Begins Mexico	2020/2021		2021/2022		2022/2023	
	Oct 2020		Oct 2021		Oct 2022	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted (1000 HA)	0	3	0	3	0	3
Area Harvested (1000 HA)	3	3	3	3	0	3
Beginning Stocks (1000 MT)	54	54	126	126	0	48
Production (1000 MT)	3	3	2	2	0	2
MY Imports (1000 MT)	1469	1469	1220	1220	0	1280
MY Imp. from U.S. (1000 MT)	12	12	12	12	0	12
MY Imp. from EU (1000 MT)	0	0	0	0	0	0
Total Supply (1000 MT)	1526	1526	1348	1348	0	1330
MY Exports (1000 MT)	0	0	0	0	0	0
MY Exp. to EU (1000 MT)	0	0	0	0	0	0
Crush (1000 MT)	1400	1400	1300	1300	0	1320
Food Use Dom. Cons. (1000 MT)	0	0	0	0	0	0
Feed Waste Dom. Cons. (1000 MT)	0	0	0	0	0	0
Total Dom. Cons. (1000 MT)	1400	1400	1300	1300	0	1320
Ending Stocks (1000 MT)	126	126	48	48	0	10
Total Distribution (1000 MT)	1526	1526	1348	1348	0	1330
CY Imports (1000 MT)	1325	1325	1125	1125	0	1285
CY Imp. from U.S. (1000 MT)	12	12	12	12	0	12
CY Exports (1000 MT)	0	0	0	0	0	0
CY Exp. to U.S. (1000 MT)	0	0	0	0	0	0
Yield (MT/HA)	1	1	0.6667	0.6667	0	0.6667
(1000 HA) ,(1000 MT) ,(MT/HA)						

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

Oilseed, Peanut Market Year Begins Mexico	2020/2021		2021/2022		2022/2023	
	Sep 2020		Sep 2021		Sep 2022	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted (1000 HA)	59	59	53	53	0	53
Area Harvested (1000 HA)	59	59	53	53	0	53
Beginning Stocks (1000 MT)	19	19	7	7	0	17
Production (1000 MT)	102	102	92	92	0	92
MY Imports (1000 MT)	197	197	230	230	0	235
MY Imp. from U.S. (1000 MT)	167	167	200	200	0	0
MY Imp. from EU (1000 MT)	0	0	0	0	0	0
Total Supply (1000 MT)	318	318	329	329	0	344
MY Exports (1000 MT)	27	27	28	28	0	28
MY Exp. to EU (1000 MT)	0	0	0	0	0	0
Crush (1000 MT)	4	4	4	4	0	4
Food Use Dom. Cons. (1000 MT)	280	280	280	280	0	285

Feed Waste Dom. Cons. (1000 MT)	0	0	0	0	0	0
Total Dom. Cons. (1000 MT)	284	284	284	284	0	289
Ending Stocks (1000 MT)	7	7	17	17	0	27
Total Distribution (1000 MT)	318	318	329	329	0	344
CY Imports (1000 MT)	209	220	230	230	0	235
CY Imp. from U.S. (1000 MT)	179	190	200	200	0	201
CY Exports (1000 MT)	29	24	28	25	0	25
CY Exp. to U.S. (1000 MT)	20	20	20	21	0	21
Yield (MT/HA)	1.7288	1.7288	1.7358	1.7358	0	1.7358
(1000 HA) ,(1000 MT) ,(MT/HA)						

OILSEED PRODUCTION

Total Mexican oilseeds production in marketing year (MY) 2022/23 is forecast to increase to 402,000 metric tons (MT), approximately 2.6 percent higher than previous year's revised estimate. Slightly higher planted area is the main reason for the increase. Private analysts stated that as result of the cancelation of support given by the Mexican government through its agricultural programs (see Policy Section), the planting intentions for soybeans and other oilseeds, such as rapeseed (canola) and sunflower seed, should increase slightly or remain flat.

Total oilseeds estimated production for MY 2020/21 and MY 2021/22 were revised downward from USDA/Official estimates to 359,000 and 392,000 MT, respectively, due to recent official figures of the Secretariat of Agriculture and Rural Development (SADER), which reflects lower yields than previously anticipated due to, in general, unfavorable weather conditions. Mexican oilseeds production continues to be subject to unpredictable weather conditions as approximately 83 percent of production takes place in non-irrigated areas.

According to official and private sources the planted area for soybeans will reach 195,000 hectares (ha), a slight increase from the revised MY 2021/22 area estimate of 192,000 ha. This increase reflects expectations for slightly higher yields this marketing year and assumes the resumption of normal weather conditions (i.e., adequate moisture levels). Despite this increase in production, Mexican growers still only supply 4.5 percent of total domestic consumption, and that is lower than the production level of 4 years ago.

Private sources continue to state it is unlikely that oilseeds planted area (mainly soybean) will increase significantly in the coming years as all the supports formerly granted by the federal and state governments were canceled. The current Administration lacks an agricultural policy for oilseeds production. This factor, along with substantial increases in input production costs such as fertilizers, herbicides, electricity fees and gasoline prices, among others; as well as the insecurity in the countryside (i.e., farmers suffer of extortion by criminal gangs to sow its crops) are discouraging growers from planting oilseeds.

Private sources also noted that only a private company (Ragasa) continues providing technical support such as improved seeds varieties, technical assistance, and financial supports to soybean producers in the region called "Las Huastecas," which encompass southern Tamaulipas, northern Veracruz, and part of the state of San Luis Potosi. In other major producing states such as Campeche, however, growers do not

have access to supports and financing. Consequently, in these states, the planted areas are unlikely to increase.

For MY 2022/23 peanut production and planted and harvested areas are forecast to remain unchanged as most peanut growers continue to face several challenges including: low profitability and poor organization among growers; low production volumes due to little implementation of technology; low planting density, and high pest and disease incidence. In addition, providers of technical assistance services do not have the required specialization in peanuts. In general, the production does not meet the quality requirements required by agribusiness. Also, peanut farmers have little or no access to financing credit and lack proper, updated peanut processing equipment. Lastly, there is a lack of specific governmental supports relative to other crops, such corn, wheat, or dry beans.

The production of rapeseed (canola) is forecast to remain unchanged at just 2,000 MT for MY 2022/23. Private sources stated that in addition to the lack of government supports for oilseeds, rapeseed continues facing problems that limit its production, such as the lack of domestic seeds with high yields; a shortage of proper equipment, including suitable planters and harvesters; and insufficient training and technical assistance.

Similarly, FAS/Mexico MY2022/23 sunflower seed production forecast remains unchanged at 8,000 MT. The production figure for MY 2020/21 has been revised downward from USDA/official estimates based on the final Mexican government data published by SADER, which reflects lower harvested area than previously estimated. According to both official and private sources, due in part to the elimination of governmental supports, growers have decreased their interest in this oilseed, along with the cancelation of a project to promote sunflower seed cultivation by one of the major multinational seed companies some years ago.

OILSEED CONSUMPTION

As a result of the economic slowdown and relatively sluggish demand due to inflation, total consumption of oilseed products is expected to increase just 2.7 percent in MY 2022/23. With Mexico's expected macro-economic slowdown, price should continue to be the main factor in oilseed sales. It should be noted that recently Mexico's Central Bank (Banxico) cut its GDP growth projection for 2022 to 2.4 percent from its previous estimate of 3.2 percent. Banxico cited the pandemic's uncertain economic impact and its effects of supply chain disruptions, as well as persistent high inflation rates as the main reasons for the revised figure. Analysts also revised down their growth expectations to 2 percent, whereas the IMF foresees a 2.8 percent GDP growth. The Secretariat of Finance (Hacienda) has not yet lowered its 4.1 percent growth estimate for 2022. Hacienda will wait until it sends the pre-criteria of economic policy to congress in April.

On other hand, the inflation in Mexico accelerated faster than expected in February, with underlying price pressures hitting their highest level in over two decades and feeding expectations that Banxico will raise interest rates. According to the National Institute of Statistics and Geography (INEGI), consumer price inflation rose from 7.07 percent in January to 7.28 percent in February, more than double the target rate set by Banxico. Core inflation, which strips out some volatile items, accelerated by nearly four tenths of a percentage point to 6.59 percent, the highest rate since mid-2001. Banxico targets 3 percent

inflation, with a tolerance range of plus or minus one percentage point. In February, the bank raised its benchmark interest rate by 50 basis points, a sixth consecutive rise, flagging inflation risks. Still, Mexico's economy stagnated in the fourth quarter of 2021, and Banxico officials noted that higher borrowing costs would negatively impact economic recovery.

Private sector sources assess that the high inflation rate and its adverse impact on the consumer purchasing power along with the lower expectation in GDP growth could cause bearish oilseeds consumption. The adverse impact in consumer power could provoke lowered demand for chicken and pork, and beef meats, thus resulting in a relative reduction in the consumption of oilseeds meals by the livestock sector.

Consumption of vegetable oils could also register a slight downward trend because the persistent inflation and the slowdown in the economy. However, some private sources are expecting a recovery in the consumption of oils in both restaurants and hotels if the pandemic allows them a full reopening. The gradual reopening of the market most affected by the pandemic, the HRI sector (hotels, restaurants, cinemas, theaters, stadiums, etc.) is met with an expected slow recovery since it depends on people attending public events. Consumption in the near term will lean towards households, although the decrease in consumer purchasing power due to inflation has caused many families to shift to cheaper products and merchandise.

As in previous years, large companies such as Ragasa, Agydsa, Cargill, Proteinas y Oleicos, Arthur Daniel Midland (ADM), La Corona, and Grupo Aceites El Mayo continue to represent more than 90 percent of crushing capacity in Mexico. Competition between these firms continues to be intense. To stay competitive, these firms made significant investments in their plants in recent years with an eye towards reducing costs and expanding services. However, private sources report that, due to the uncertainty generated by inflation and the current slowdown in the economic conditions, these main crushing companies have delayed or postponed additional investments in their plants to expand crushing capacity. Only Ragasa has reported they would continue expanding and modernize their plants in MY 2022/23.

Soybean domestic consumption is expected to increase nearly 3 percent in MY 2022/23. The main factors driving this increase are the expected increase in feed demand and in population growth (0.9 percent). According to private sources, the animal feed industry is expected to grow 2 – 3 percent in 2022.

Assuming affordable prices and due to its higher oil content, rapeseed (canola) consumption is expected to increase to 1.320 MMT in MY 2022/23. Private sources reiterated that Mexican crushers have a market for canola oil, and they import canola when the price is competitive.

For MY 2022/23, sunflower seed consumption is forecast to increase slightly to 29,000 MT, primarily due to a small increase in crushing. Industry contacts state that just a few companies continue to be interested in crushing sunflower seed due to its current high cost, and as a result, the demand has remained relatively stable. No changes are expected in the nearly 2,000 MT of sunflower seed sunflower seed that is used mainly as bird feed each year. Although there are no reliable estimations, a limited volume of sunflower seed continues to be used for human consumption as a snack. However, according to the National Sunflower Association, the market for human consumption has grown. In the last 10 years,

sunflower seed consumption has grown as the Mexican population becomes more health conscious. Also, the National Sunflower Association states that there is a good positioning of sunflower seeds due to their nutritional value. The Mexican consumer has not been attracted to inshell sunflower seeds, which is the only U.S. type promoted in Mexico. For 2022, it is expected that the sunflower seeds are promoted through the National Sunflower Association as a snack to watch sports—mainly soccer—at stadiums. Shelled sunflowers are the most common type sold in the Mexican market.

Peanut consumption is forecast to increase just 1.7 percent in MY 2022/23 driven basically by population growth (0.9 percent) and the gradual reopening of the HRI sector. Sources state that the slowdown of the economy and increased inflation could prevent a higher peanut consumption. 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 general, the main function of snacks is to satisfy impulse hunger. The second reason nowadays is to have a healthy diet since most diets include a snack between meals

In Mexico peanuts are used almost entirely as a snack food, with practically no crushing or processing occurring. Moreover, peanut consumption in Mexico is typically related to social gatherings and outings such as at bars, shows, and cinemas.

Industry sources stated that peanut consumption has increased as it is perceived as a healthy snack. In addition, these consumers want to prevent diseases by eating healthy products, are attentive to the nutritional information on the packaging, exercise regularly, and are concerned about the origin of the product.

Also, due to the pandemic, peanut and peanut butter consumption increased sharply in 2021. The same sources noted that confinement habits could remain, meaning that restaurant and entertainment experiences will continue to be taken home. In-home between-meal consumption is gaining popularity; home office and home schooling have propelled these habits. Peanuts are the main ingredient in snack mixes.

The food processing sector uses peanuts to make snacks, confectionery, bakery products, cereals, health care products, peanut butter, and oil. Packaged snacks are the most widespread industrial application of peanuts.

The expected reopening on the HRI segment because of the resumed growth of the tourism industry in 2022 should slightly drive development in the foodservice sector and consequently explain the rest of the forecast in peanut consumption.

OILSEED TRADE

The Post total oilseed import forecast for MY 2022/23 is estimated to increase to 7.90 MMT, a 3.0 percent increase in comparison to the MY 2021/22 estimate. This increase is driven by population growth (0.9 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 international oilseed prices and even in the oilseeds international trade will be reduced by MY 2022/23.

According to private sources, a main point of concern for the Mexican industry that produces edible oils and oil meals is the U.S. biodiesel subsidy policy, which would cause a drop in the supply of soybeans available for export in the United States, Mexico's main supplier. Additionally, it would make U.S. soybean oil exports more expensive. Finally, there would be an oversupply of soybean meal. Given these factors, private sources expressed that solutions should be found to allocate this eventual surplus without affecting the local US market or the export markets of US buyers.

In addition, some industry sources have expressed their concerns that the volatility of the oilseeds market (mainly on soybean) could lead to sluggish imports of oilseeds. After a year of relative recovery in 2021 and after the worst adverse impacts of the pandemic in 2020, the latest turmoil provoked by the conflict between Russia and Ukraine and the international commodities market is another motive of concern of the Mexican oilseed industry. Sources noted that if the war conflict ceased in 2022 and consequently the oilseed prices stabilized, the adverse effects in the oilseeds trade could be diminished. Additionally, the main importing companies regularly set up hedging contracts, which could mitigate the adverse effect of volatility in oilseeds international market in MY 2022/23.

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 relatively bearish demand and global supply risks. However, private sector sources hope that by late summer, the war conflict's disruption to global trade will abate, and the world, including Mexico, will emerge from uncertainty to begin restocking its soybean supplies.

Industry sources estimated that if the bullish international market conditions cease in the second part of MY2022/23, expected margins for domestic crushers and vegetable oil refiners will continue to be competitive and like its counterparts of the United States and may even improve slightly. Soy continues to be the primary oilseed imported by Mexico for crushing domestically, and it expected to continue being the most important oilseed imported. The United States will continue to be the main supplier of soybeans to Mexico.

Soybean imports are forecast to increase 170,000 MT in MY 2022/23 to 6.370 MMT because of the moderate increase in feed demand, relative strong processor demand, and population growth. In animal feed demand, Post expects growing demand from poultry producers since poultry meat continues to be one of the cheapest animal protein sources for Mexican consumers.

The rapeseed import forecast is estimated to increase to 1.280 MMT in MY 2022/23. This increase assumes a reverse of the relatively bullish current 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. According to industry sources, Canadian canola production should rebound strongly in 2022/23 assuming a return to normal weather and average yields following last year's drought disaster.

Imports of sunflower seeds are forecast to decrease in MY 2022/23 to 18,000 MT due to high international prices. 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. According to the National Sunflower Association, U.S. imports are decreasing as countries such as Bulgaria offers shelled

sunflower seeds at competitive prices. Bulgaria competes with shelled sunflower seeds and price while Argentina competes in the in-shell sunflowers seed market. Mexico is the third most important partner for U.S. sunflower seeds. Based on information from the National Sunflower Association, Bulgaria offers better prices to Mexican importers. At the same time, Mexico is a priority for Argentinean sunflower seed exporters. Sunflower seed estimates for MY 2020/21 have been revised upward to 23,000 MT based on updated information of Trade Data Monitor (TDM). The main major suppliers of sunflower seeds to Mexico continue to be Argentina and the United States.

Total peanut imports are forecast to increase slightly in MY2022/23 to 235,000 MT because of the expected gradual recovery in the HRI segment market. The United States continues to be the largest supplier of peanuts in Mexico, and it expected to remain so in the next few years.

Mexican processors continue to identify U.S. peanuts as a high-quality product and consider it a tastier legume because of its high oleic acid levels. According to the American Peanut Council, the main in-shell peanuts suppliers in Mexico are China, Nicaragua, Brazil, and Argentina, which all compete with U.S. peanut exports.

Mexico exports a small volume of peanuts each year, with the United States as the primary export market. Exports are forecast to remain unchanged at 28,000 MT in MY 2022/23 reflecting that the domestic production is expected to maintain stable.

OILSEED POLICY

As in previous years, industry contacts note that the current Administration lacks an agricultural policy and support program for the oilseeds sector. In general, the administration of President Andres Manuel Lopez Obrador has continued implementing changes to Mexico’s agricultural support system, with a focus on providing supports to poor small farmers. Federal supports to larger commercial operations have been eliminated. This new focus and the lack of support for commercial agriculture continues to generate frustration among medium and large producers. Several private and official sources concur that the single greatest factor affecting oilseed production in MY 2022/23 and upcoming years is the cancellation of the main federal support programs for medium and large growers. For example, among the eliminated programs since the 2021 Federal Expenditure Budget were the Marketing Incentives and Complementary Incentive to Target Income programs. Both were formerly combined using an approach called the Forward Contract Program, 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. Also, soybeans and other oilseeds were eliminated of the “Production for Wellbeing” support program in 2021.

OIL MEAL: PRODUCTION, SUPPLY AND DEMAND STATISTICS

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

Total Oil Meals Market Year Begins Mexico	2020/2021		2021/2022		2022/2023	
	Sep 2020		Sep 2021		Sep 2022	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Crush (1000 MT)	7,524	7,524	7,705	7,705	0	7,936
Extr. Rate, 999.9999 (PERCENT)			2	2	0	2

Beginning Stocks (1000 MT)	160	160	158	158	0	180
Production (1000 MT)	5,660	5,660	5,806	5,806	0	5,976
MY Imports (1000 MT)	1,869	1,869	1,935	1,935	0	1,995
Total Supply (1000 MT)	7,689	7,689	7,899	7,899	0	8,151
MY Exports (1000 MT)	6	6	8	8	0	8
Industrial Dom. Cons. (1000 MT)	0	0	0	0	0	0
Food Use Dom. Cons. (1000 MT)	50	50	50	50	0	50
Feed Waste Dom. Cons. (1000 MT)	7,475	7,475	7,661	7,661	0	7,936
Total Dom. Cons. (1000 MT)	7,525	7,525	7,711	7,711	0	7,986
Ending Stocks (1000 MT)	158	158	180	180	0	157
Total Distribution (1000 MT)	7,689	7,689	7,899	7,899	0	8,151
(1000 MT) ,(PERCENT)						

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

Meal, Soybean Market Year Begins Mexico	2020/2021		2021/2022		2022/2023	
	Sep 2020		Sep 2021		Sep 2022	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Crush (1000 MT)	6200	6200	6400	6400	0	6590
Extr. Rate, 999.9999 (PERCENT)	0.7903	0.7903	0.7906	0.7906	0	0.7906
Beginning Stocks (1000 MT)	150	150	148	148	0	175
Production (1000 MT)	4900	4900	5060	5060	0	5210
MY Imports (1000 MT)	1854	1854	1925	1925	0	1980
Total Supply (1000 MT)	6904	6904	7133	7133	0	7365
MY Exports (1000 MT)	6	6	8	8	0	8
Industrial Dom. Cons. (1000 MT)	0	0	0	0	0	0
Food Use Dom. Cons. (1000 MT)	50	50	50	50	0	50
Feed Waste Dom. Cons. (1000 MT)	6700	6700	6900	6900	0	7155
Total Dom. Cons. (1000 MT)	6750	6750	6950	6950	0	7205
Ending Stocks (1000 MT)	148	148	175	175	0	152
Total Distribution (1000 MT)	6904	6904	7133	7133	0	7365
(1000 MT) ,(PERCENT)						

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

Meal, Sunflower seed Market Year Begins Mexico	2020/2021		2021/2022		2022/2023	
	Oct 2020		Oct 2021		Oct 2022	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Crush (1000 MT)	24	24	25	25	0	26
Extr. Rate, 999.9999 (PERCENT)	0.4167	0.4167	0.44	0.44	0	0.4231
Beginning Stocks (1000 MT)	0	0	0	0	0	0
Production (1000 MT)	10	10	11	11	0	11
MY Imports (1000 MT)	0	0	0	0	0	0
Total Supply (1000 MT)	10	10	11	11	0	11
MY Exports (1000 MT)	0	0	0	0	0	0
Industrial Dom. Cons. (1000 MT)	0	0	0	0	0	0
Food Use Dom. Cons. (1000 MT)	0	0	0	0	0	0
Feed Waste Dom. Cons. (1000 MT)	10	10	11	11	0	11
Total Dom. Cons. (1000 MT)	10	10	11	11	0	11
Ending Stocks (1000 MT)	0	0	0	0	0	0
Total Distribution (1000 MT)	10	10	11	11	0	11
(1000 MT) ,(PERCENT)						

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

Meal, Rapeseed Market Year Begins Mexico	2020/2021		2021/2022		2022/2023	
	Oct 2020		Oct 2021		Oct 2022	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Crush (1000 MT)	1300	1300	1280	1280	0	1320

Extr. Rate, 999.9999 (PERCENT)	0.5769	0.5769	0.5742	0.5742	0	0.572
Beginning Stocks (1000 MT)	10	10	10	10	0	5
Production (1000 MT)	750	750	735	735	0	755
MY Imports (1000 MT)	15	15	10	10	0	15
Total Supply (1000 MT)	775	775	755	755	0	775
MY Exports (1000 MT)	0	0	0	0	0	0
Industrial Dom. Cons. (1000 MT)	0	0	0	0	0	0
Food Use Dom. Cons. (1000 MT)	0	0	0	0	0	0
Feed Waste Dom. Cons. (1000 MT)	765	765	750	750	0	770
Total Dom. Cons. (1000 MT)	765	765	750	750	0	770
Ending Stocks (1000 MT)	10	10	5	5	0	5
Total Distribution (1000 MT)	775	775	755	755	0	775
(1000 MT) ,(PERCENT)						

OIL MEAL PRODUCTION

The FAS/Mexico forecast for all oil meal production in MY 2022/23 is increased approximately 2.9 percent to 5.976 million metric tons (MMT) in response to the expected growth in the livestock sector. The poultry sector continues to be the major user of oilseed meals in Mexico (basically soybean meal). Chicken production is expected to reach 3.9 MMT in MY 2022, an increase of 2.2 percent compared with the previous year and maintains a growth outlook. Production is expected to steadily rise, despite high input costs (feed, utilities, fuel, transport, etc.) as producers strive to fulfill national retail and foodservice demand. Producers have largely passed higher input costs to consumers, partially reflected in a 7.7 percent food inflation rate, according to National Institute of Statistics and Geography (INEGI) data. The incidence of vertical integration for Mexican chicken producers continues growing, affording them increased capacity to weather rising input costs while also increasing production.

Mexico's livestock production is also growing because of both vertical integration of farms and better biosecurity measures. In addition, Mexico's livestock sector is resilient in the face of numerous environmental, policy, and economic challenges. Livestock producers in Mexico continue a long-term trend towards vertical integration and expanded production. Domestic consumer demand for beef and pork continues an upward trajectory despite all-time high prices. Export demand growth for beef is projected to continue rising due to tight global supplies. However, export demand for pork is projected to slow as China delays registering additional Mexican export facilities. Moreover, Mexico's National Association of Balanced Animal Feed (CONAFAB) forecasts that animal feed production will increase 3.1 percent in 2022, slightly lower to the 3.3 percent growth registered in 2021.

High-protein soybean meal continues to account for approximately 87.2 percent of total Mexican oil meal production, while the production of meal from imported rapeseed accounts for 12.6 percent of total meal. The total soybean meal production forecast for MY 2022/23 is 5.2 MMT, due to the expected growth in the livestock sector. As in previous years, industry sources state that the crush pace will largely be determined by the domestic demand for soybean meal, mainly by the livestock industry.

Rapeseed production is forecast to increase 2.7 percent in MY 2022/23 to 755,000 MT, reflecting the expected increase in domestic pork production 2022. The pork industry continues to be one of the main consumers of rapeseed meal in Mexico along with the dairy sector. According to industry sources, the rule of thumb in the dairy sector to acquire rapeseed meal is that its cost should represent 80 percent of

the soybean meal cost. It should be noted that the price continues to be a driving factor in the decision to purchase oilseeds meals. Also, it is important to note that the content of amino acids in the case of the rapeseed meal is lower than in soybean meal.

Sunflower seed meal production is forecast to remain unchanged at 11,000 MT in MY 2022/23. 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 upward trend in meal production has continued in the last few years, which also reflects increased domestic crush capacity. Private sources state that the current crushing capacity is of 9.3 MMT in Mexico and in average are working at 75 percent of its capacity, although one of the main crushers companies reported that is working at 90-92 percent of its capacity (Ragasa).

As already noted, this capacity continues to be highly concentrated in few leading companies Ragasa, Agydsa, Protein y Oleicos and Cargill, among others. These companies have expanded physical capacity in their crushing facilities and have also made their crushing process and mechanical systems more efficient. However, private sources state that this trend of expansion and modernization of crush capacity could be sluggish in MY2022/23 due to the slowdown in the Mexican economy and the consequent relatively bearish demand for oil meals and vegetable oils.

TABLE 10. MEXICO'S PROTEIN ON A SOY MEAL EQUIVALENT BASIS (SME) DEMAND

SME	2020/21	2021/22	2022/23
Sunflower Seed Meal	7	7	7
Rapeseed Meal	544	534	548
Soybean Meal	6,725	6,950	7,155
Total	7,276	7,491	7,710

OIL MEAL CONSUMPTION

Post forecast that overall consumption of oil meal products will increase in MY 2022/23 by approximately 2.9 percent to 7.986 MMT compared to the previous' year estimation, due to the expected slight increase demand of the Mexican livestock sector.

The poultry sector continues to be the primary consumer of oilseed meals, mainly soybean meal due to its high protein content. The Mexican poultry sector is expected to continue to expand and modernize. According to the National Poultry Farmers Association (UNA), the egg and poultry meat sectors will grow 3 and 2.5 percent respectively in 2022. The beef and pork sectors are also projected to grow slightly in 2022 based on the HRI sector's continuing recovery from the impacts of COVID-19. In addition, Mexican beef is finding new niches in the U.S. market due to developing consumer preferences for leaner cuts, smaller portion sizes, and lower-priced products that Mexico can provide. Japan and South Korea continue to demand low-cost Mexican beef and products, including offal. In the case of the pork sector, Mexico's swine herd stands at around 21 million head in 2021. Mexican pork producers continue to vertically integrate production chains, invest in technology, and implement biosafety

measures to reduce swine mortality. In addition, due to shrinking household incomes, consumers increasingly demand budget pork products as an alternative, lower-cost animal protein.

However, some private sources have alerted that continued high commodity prices could constrain the growth of oilseed meal consumption by the poultry, swine, beef, and animal feed industries. The Mexican animal feed industry grew by a preliminary estimate of 3.3 percent in 2021, despite challenges related to the coronavirus pandemic and the volatility of the oilseeds prices. According to the general director of Mexico's National Council of Balanced Feed Producers (CONAFAB), the growth rate outperformed the pessimistic predictions made earlier in the year. However, CONAFAB expects that the high prices of raw materials will keep the industry's growth slightly lower to 3.1 percent in 2022. In 2019 and 2020, the industry grew by 4 and 3 percent respectively. Preliminary estimates put total Mexican balanced feed production at 38.8 million tons for 2021, making Mexico the country with the fifth-largest feed industry, after China, the United States, Brazil, and India.

Animal feed industry sources expects 2022 to be a difficult year, mostly because of high prices for corn and soybean, which continue to represent approximately 80 percent of industry's costs. In the last few weeks, for example, soybeans futures prices rose sharply in the Chicago Board of Trade, approaching their highest level since September 2012 amid ongoing supply disruptions from the Black Sea region and the world's top exporter Argentina. Based on private source information, Argentina announced that it would halt export registrations of soybean oil, soy meal, and other related products, arguing the government wants to raise tariffs. The move pauses sales and exports of the 2021/22 crop, which could tighten the oilseed supplies already squeezed by drought. In addition, the soybean market has been rallying on the back of Russia's invasion of Ukraine. Ukraine is a major global supplier of corn and sunflower oil, and disruption to production due to the current conflict with Russia puts additional pressure on other grains, vegetable oils and oilseeds meals.

Private sources in the animal feed sector reiterated that the composition of ingredients in compound feed has been traditionally stable, with only small adjustments made to formulas depending essentially on the price and availability of oilseeds meals and other ingredients. Also, these sources stated the primary factors that impact feed millers' procurement decisions continues to be the cost of raw materials and protein content (i.e., quality) of animal feed ingredients. Sources consider soybean meal, corn gluten, and DDGS to be generally complementary ingredients in the formulation of compound feed, although sometimes they compete depending on their market prices.

Soybean meal consumption is expected to increase approximately 3 percent in MY 2022/23 due to the continued expansion of the poultry and swine sectors. Consumption of rapeseed meal is also expected to increase to 770,000 MT due to the expected growth in swine and dairy sectors. In the case of the consumption of sunflower seed meal for MY 2022/23 is forecast to remain unchanged at 11,000 MT due to is limited demand for sunflower seed meal by the animal feed industry, given its low protein content.

OIL MEAL TRADE

Oil Meal are expected to increase to 1.995 MMT in MY 2022/23, on the expectation that international prices could continue to be high. As in previous years, imported products will continue to represent 25 percent of Mexico's total oil meal consumption, reflecting the higher domestic crushing capacity that the

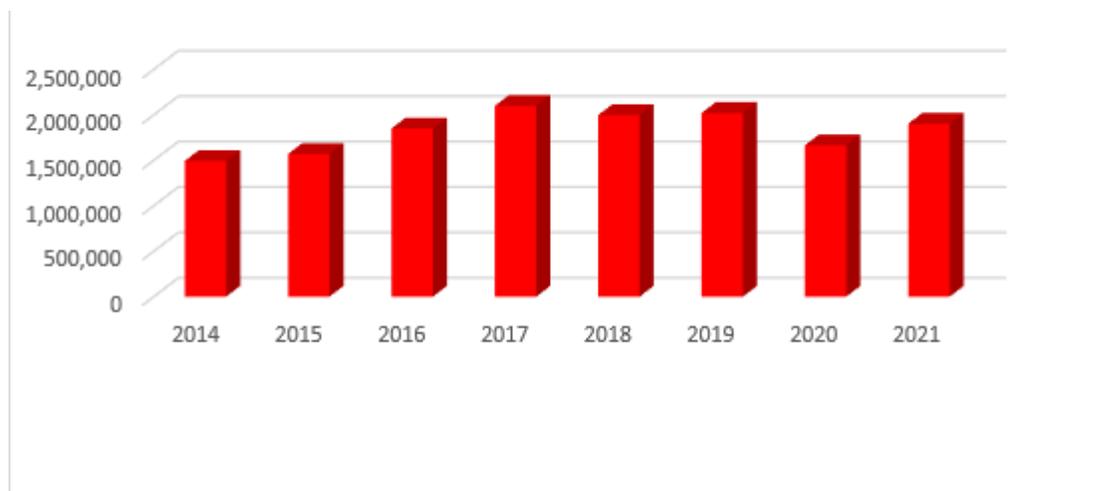
main crushing companies have developed in recent years. Most of the Mexico's oil meal imports continue to be soymeal from the United States, which is expected to remain the main external supplier, with negligible volume supplied from other regions such as South America.

For MY2022/23, rapeseed meal imports are expected to increase to 15,000 MT, reflecting relatively more affordable prices than a year earlier as well as the preference of the livestock sector, mainly ruminant and swine sectors, for this oil meal. 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

According to animal feed industry sources, the demand for imported distiller's dried grains with solubles (DDGS), a co-product of corn-based ethanol production that is used mainly as an animal feed, has continued. Its consumption has been increasing over the last few years (see Graph below) except in 2020 due to its high prices compared with substitutes such as the soybean meal. Its utilization as a feed ingredient is well documented as both an energy source and a protein supplement. Contacts indicated that DDGS have been regularly used as a substitute for oilseed meal (mainly soybean meal) in feed concentrate formulas. Although its rate of substitution is not one to one. One source estimated, for example, that the substitution rate could be up to three units of DDGS for one unit of soybean meal, depending on type of livestock (i.e., poultry, pork, or bovine) and due to the level of protein in each. In the case of DDGS, it is 23 percent, while soybean meal could reach up to 47 percent protein. Reportedly, approximately 20 percent of DDGS are fed to swine and poultry, with the remaining 80 percent being fed to dairy and beef cattle as wet or dried product. Mexico has continued importing this product, a trend expected to continue in CY 2022 due to affordable prices. As mentioned above, although the composition of ingredients in compound feed is stable in general, the small adjustments can be made depending on the price of other ingredients and availability of oilseed meals. Industry contacts reiterated that the price of ingredients continue to be the main factor in modifying compound feed formulas. For example, the percentage of corn gluten used in compound feed generally is lower than the amount of DDGS due to corn gluten's higher price. The United States continues to be the only source of DDGS to Mexico.

Figure 1. U.S. Exports of Distiller's Grains with Solubles (DDGS) to Mexico, Metric Tons (MT)



Source: Trade Data Monitor

OILS: PRODUCTION, SUPPLY AND DEMAND STATISTICS

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

Total Oils Market Year Begins Mexico	2020/2021		2021/2022		2022/2023	
	Sep 2020		Sep 2021		Sep 2022	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Crush (1000 MT)	7,624	7,624	7,725	7,725	0	7,936
Extr. Rate, 999.9999 (PERCENT)					0	
Beginning Stocks (1000 MT)	274	274	267	267	0	193
Production (1000 MT)	1,715	1,715	1,712	1,712	0	1,761
MY Imports (1000 MT)	386	386	340	340	0	371
MY Imp. from U.S. (1000 MT)	95	95	135	195	0	105
MY Imp. from EU (1000 MT)	0	12	0	0	0	0
Total Supply (1000 MT)	2,375	2,375	2,319	2,319	0	2,325
MY Exports (1000 MT)	63	63	61	61	0	62
MY Exp. to EU (1000 MT)	0	0	0	0	0	0
Industrial Dom. Cons. (1000 MT)	0	0	0	0	0	0
Food Use Dom. Cons. (1000 MT)	2,045	2,045	2,065	2,065	0	2,131
Feed Waste Dom. Cons. (1000 MT)	0	0	0	0	0	0
Total Dom. Cons. (1000 MT)	2,045	2,045	2,065	2,065	0	2,131
Ending Stocks (1000 MT)	267	267	193	193	0	132
Total Distribution (1000 MT)	2,375	2,375	2,319	2,319	0	2,325
(1000 MT) ,(PERCENT)						

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

Oil, Soybean Market Year Begins Mexico	2020/2021		2021/2022		2022/2023	
	Sep 2020		Sep 2021		Sep 2022	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Crush (1000 MT)	6200	6200	6400	6400	0	6590
Extr. Rate, 999.9999 (PERCENT)	0.1847	0.1847	0.1845	0.1845	0	0.1836
Beginning Stocks (1000 MT)	252	252	148	148	0	144
Production (1000 MT)	1145	1145	1181	1181	0	1210

MY Imports (1000 MT)	86	86	165	165	0	170
Total Supply (1000 MT)	1483	1483	1494	1494	0	1524
MY Exports (1000 MT)	35	35	30	30	0	30
Industrial Dom. Cons. (1000 MT)	0	0	0	0	0	0
Food Use Dom. Cons. (1000 MT)	1300	1300	1320	1320	0	1380
Feed Waste Dom. Cons. (1000 MT)	0	0	0	0	0	0
Total Dom. Cons. (1000 MT)	1300	1300	1320	1320	0	1380
Ending Stocks (1000 MT)	148	148	144	144	0	114
Total Distribution (1000 MT)	1483	1483	1494	1494	0	1524
(1000 MT) ,(PERCENT)						

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

Oil, Rapeseed Market Year Begins Mexico	2020/2021		2021/2022		2022/2023	
	Oct 2020		Oct 2021		Oct 2022	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Crush (1000 MT)	1400	1400	1300	1300	0	1320
Extr. Rate, 999.9999 (PERCENT)	0.4	0.4	0.4	0.4	0	0.4091
Beginning Stocks (1000 MT)	13	13	105	105	0	34
Production (1000 MT)	560	560	520	520	0	540
MY Imports (1000 MT)	255	255	125	125	0	150
MY Imp. from U.S. (1000 MT)	15	15	15	15	0	0
MY Imp. from EU (1000 MT)	0	12	0	0	0	0
Total Supply (1000 MT)	828	828	750	750	0	724
MY Exports (1000 MT)	8	8	6	6	0	5
MY Exp. to EU (1000 MT)	0	0	0	0	0	0
Industrial Dom. Cons. (1000 MT)	0	0	0	0	0	0
Food Use Dom. Cons. (1000 MT)	715	715	710	710	0	715
Feed Waste Dom. Cons. (1000 MT)	0	0	0	0	0	0
Total Dom. Cons. (1000 MT)	715	715	710	710	0	715
Ending Stocks (1000 MT)	105	105	34	34	0	4
Total Distribution (1000 MT)	828	828	750	750	0	724
(1000 MT) ,(PERCENT)						

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

Oil, Sunflowerseed Market Year Begins Mexico	2020/2021		2021/2022		2022/2023	
	Oct 2020		Oct 2021		Oct 2022	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Crush (1000 MT)	24	24	25	25	0	26
Extr. Rate, 999.9999 (PERCENT)	0.4167	0.4167	0.44	0.44	0	0.4231
Beginning Stocks (1000 MT)	9	9	14	14	0	15
Production (1000 MT)	10	10	11	11	0	11
MY Imports (1000 MT)	45	45	50	50	0	51
Total Supply (1000 MT)	64	64	75	75	0	77
MY Exports (1000 MT)	20	20	25	25	0	27
Industrial Dom. Cons. (1000 MT)	0	0	0	0	0	0
Food Use Dom. Cons. (1000 MT)	30	30	35	35	0	36
Feed Waste Dom. Cons. (1000 MT)	0	0	0	0	0	0
Total Dom. Cons. (1000 MT)	30	30	35	35	0	36
Ending Stocks (1000 MT)	14	14	15	15	0	14
Total Distribution (1000 MT)	64	64	75	75	0	77
(1000 MT) ,(PERCENT)						

OIL PRODUCTION

Total oil production for MY 2022/23 is expected to increase by 2.9 percent to 1.746 MMT. This increase is driven by population growth (around one percent), along with the expected gradual recovery of the HRI sector. Industry sources have indicated that the crush is determined in part by domestic demand for vegetable oils, and traditionally this demand grows at a similar pace to GDP growth. However, some private sources note that production could increase less than consumption if the scarce supply of oilseeds and high international prices continue in MY 2022/23, which would limit processors who want to increase vegetable oil production. Nevertheless, other analysts predict that crushers should have a higher supply available if the production of various oilseeds (soybeans, sunflower, canola, and palm oil, etc.) normalizes in the second part of MY 2022/23.

Soybean oil remains the major oil produced domestically, accounting for 69 percent of total production. For the past year, about 85 percent of domestically produced soybean oil was extracted from imported U.S. soybeans. For MY 2022/23, soybean oil production is forecast to increase approximately 2.5 percent over MY2021/22 to 1.21 MMT due in part to demand for soy meal in the livestock sector, as previously discussed. Also, rapeseed oil production is expected to increase by approximately 3.8 percent in MY 2022/23 to keep relatively pace with consumption.

Given the slight increase on crush volumes, MY 2022/23 production of sunflower oil is expected to remain stable at 11,000 MT. As mentioned elsewhere in this report, just a few Mexican companies crush and market sunflower oil, which tends to have lower margins than alternative oils due to the high prices of the sunflower seed.

The Mexican crushing industry and vegetable oil refineries are dominated by a few leading companies, including, among others: AAK, Agydsa, ACH Foods, Cargill, Coral Internacional, El Calvario, Grupo Oleofinos, Industrial Aceitera, La Corona, Proteinol, Ragasa and Team Foods. These companies account for more than 80 percent of domestic production. Most of the new investments these companies made in expanding crushing and refining capacity and updating existing machinery entered production in the last few years. Due to the expected slowdown in the Mexican economy and the persistent high inflation, industry contacts do not expect any major new investments in the sector in the short term. Reportedly, the only exception is the company Ragasa, which considers continuing its investments increasing crushing and refining capacity, as previously mentioned. It should be noted that Agydsa, the other main crushing company, posits that it has made enough investments in its plants to cover its crushing and refinery necessities of the next few years, anticipating future growth in crushing needs.

Most of the major crushers can switch some portion of their production easily between soybean and rapeseed oil production, depending on the crushing margins. Recently, the margins have favored soybean crushing, according to industry sources. However, most of the companies have chosen not to switch due to scale economies and because these companies have positioned their vegetable oils brands in different market segments. Due to lower consumer purchasing power in general, some companies have reduced the bottle sizes of their brands oriented to households to offer more affordable prices.

Even though palm oil is not included in the overall oil production data in this report it is important to note that this industry has grown in the last 18 years to make palm oil the third largest oil produced in Mexico by volume. This growth was driven mainly by government programs encouraging the planting of oil

palm in the states of Veracruz, Tabasco, Chiapas, and Campeche. Private sector sources estimate that approximately 313,403 MT of crude palm oil were produced in the MY 2021/22, representing a nearly 23 percent increase from previous year.

Despite this growth, the private sector is less optimistic regarding the future potential of this sector. The palm oil production incentive programs favored by the previous government were canceled and the current Administration has not included oil palm in any of its current support programs. In addition, senior administration officials have publicly stated concerns regarding the sustainability and environmental impact of palm oil production, casting doubt on whether it will be supported in the future. In fact, the government appears to be encouraging planting other types of trees (fruit trees and hardwoods) in the same states that had previously been key palm oil production areas.

To prevent this shift of palm oil planting areas while still responding to environmental concerns, the industry promoted the creation of a Mexican official standard that guarantees the sustainability of the palm oil production through the issuance of a Roundtable on Sustainable Palm Oil (RSPO) certificate. This Mexican official norm (NOM) was published in Mexico Federal Register went into force on January 1, 2021.

OIL CONSUMPTION

Overall oil consumption is expected to increase by 3.2 percent in MY 2022/23. This increase is driven by the population growth (around one percent) and the steady recovery of the HRI sector considering the vaccination campaigns that the Mexican government has implemented.

Based on industry information, around 40 percent of the total vegetable oil market relies on the HRI sector and industrial consumption, while the other 60 percent is cooking oil for home consumption. The same sources note that the per capita consumption of vegetable oils is approximately 10 liters.

Also, industry contacts continue to note that oil demand is inelastic. In more difficult economic times, consumers may shift to cheaper protein sources (e.g., pork to eggs or beans), but typically do not significantly alter their oil consumption. They pointed out that despite the slowdown in the Mexican economy, the industrial sector (i.e., processing food) will continue looking for heart-healthy high-oleic vegetable oils that are lower in trans fatty acids.

In addition, in the premium retail vegetable oil segment, one of the main companies (Ragasa) has continued to invest in packaging and marketing their own oil brands highlighting the aspects of healthy product. These initiatives have reportedly allowed them to enjoy a relatively stronger consumer demand for their products in the retail segment, which generally has grown at very similar pace with population growth. Also, they are redesigning its bottle appearance and continue offering smaller-volume bottles rather than just the traditional one-liter bottle to provide more affordable options for consumers with less purchasing power.

Other companies, such as Agydsa has the retail label “Canoli” (rapeseed), which is successfully promoted as a healthy vegetable oil and continues to have strong consumer demand. In addition, this company, instead of investing in massive promotional campaigns, has extended distribution channels

throughout Mexico with 130 storehouses and more than 1,500 distribution trucks, which has allowed the company to have presence across Mexico.

Utilization of soybean oil, at approximately 1.380 MMT, accounts for 65 percent of the expected consumption in MY2022/23, while rapeseed oil should account for 34 percent, and the remainder comes from other refined oil such as sunflower seed. The consumption for sunflower oil estimate for MY 2022/23 is forecast to increase to 36,000 MT. Sunflower oil continues to be an 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 a price sensitive market. Most usage of soybean oil is accounted for by food processing and blending with other oils.

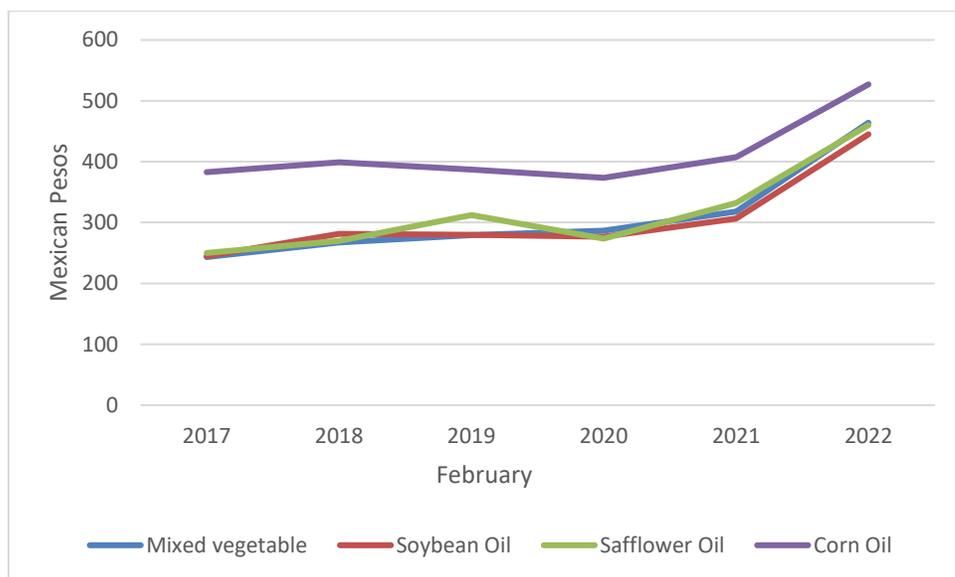
Private sector sources estimate palm oil consumption at approximately 873,533 MT in MY 2020/21 (these figures not included in the oil consumption totals in this report). An additional 86,000 MT of palm kernel oil and 70,068 MT of refined palm oil were also consumed. Palm oil has become increasingly important for the food processing industry in recent years since companies began to remove trans-fats from their recipes. Several snack food companies have also switched to palm oil for products such as potato chips due to its attractive pricing. As with the environmental concerns being raised on the production side, industry contacts suggest that increased consumer awareness of deforestation and other concerns may have an impact on palm oil consumption in the medium to long term. To avoid this adverse impact on palm oil demand, the private sector promoted the aforementioned Mexican official standard, which requires certification for sustainably produced domestically palm oil.

Table 15. Vegetable Oil Wholesale Prices

Variety	Presentation	February 2021	February 2022
Mixed Vegetables	1 lt 12 Bottle Box	318.00	464
Soybean Oil	1 lt 12 Bottle Box	306.50	445
Corn Oil	1 lt 12 Bottle Box	407.50	527
Safflower Oil	1 lt 12 Bottle Box	332.00	460

Source: Servicio Nacional de Informacion de Mercados, SNIM SE
Exchange Rate (March 22, 2021) U.S. \$ 1:00 = 20.41

Figure 2. Vegetable Oil Wholesale Prices



Source: Servicio Nacional de Información de Mercados, SNIM SE

Exchange Rate (March 22, 2022) U.S. \$ 1:00 = 20.41

OIL TRADE

Vegetable oil imports are projected to rise in MY2022/3 to 371,000 MT. Increasing demand for edible oils due to the expected greater demand from the HRI sector and population growth are the primary drivers of growth in vegetable oil imports. Private sources reiterated that as in the rest of the oilseeds complex, prices continue to be the dominant factor in sales of vegetable oils in Mexico.

Imports of soybean oil are expected to account for approximately 46 percent of total imports, like in the previous year. 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 2022/23 are estimated to increase to 540,000 MT, assuming affordable international prices and the recovery of the HRI sector. While sunflower seed oil imports for MY 2022/23 are forecast at 51,000 MT. Industry sources stated that few snack food manufacturers continue to use sunflower oil due to its nutritional characteristics and these companies are the main importers of this vegetable oil. Mexico continues to export small volumes of sunflower/safflower oil. For MY 2022/23, exports are forecast to increase slightly to 27,000 MT.

Despite growing palm oil production, Mexico is heavily dependent on imports to meet demand. Approximately 64 percent of crude palm oil consumption (and a higher percentage of palm kernel oil and all palm oil) is supplied through imports. In MY 2020/21, crude palm oil imports were estimated at around 560,000 MT.

OIL STOCKS

In general, and as previous years, industry sources pointed out that there is not a standard or average volume of stocks of oilseeds and vegetable oils that the companies tend to hold. They noted that each company has different stocks levels depending on their own company policies and/or requirements as well as the future prices of the oilseeds in the international market (i.e., Chicago Board Trade future prices). In addition, the rationale for stock levels continue to depend on the location of the crushing and refinery plants. Ragasa, for example, keeps two weeks of utilization as stocks of oilseeds or vegetable oils. Ragasa facilities are located at the north of the country (Nuevo Leon), and its import requirements are accomplished by train. Another leader crushing company as 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. In addition, due to the proximity to the United States, which is the main supplier of the soybean complex and other oilseeds, as well as affordable freight costs, many crusher and vegetable oil companies have decided to do not keep stocks as they purchase these products on an "as needed" basis.

Also, industry sources noted that regularly the companies do not hold oilseed meals stocks. Since the main Mexican oil refinery and crusher companies have continued investing in their facilities, they have sufficient capacity to hold as many stocks of oilseeds or vegetable oils as necessary.

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Other Relevant Reports Submitted by FAS/Mexico:

Report Number	Subject	Date Submitted
MX2021-0063	Mexico Announces Temporary Tariff Rate Quota for Soybeans	10/16/2021
MX2021-0021	Oilseeds and Products Annual	4/15/2021
MX2020-0022	Oilseeds and Products Annual	4/17/2020
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

Attachments:

No Attachments