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Foreign Agricultural Service

GAIN Global Agricultural Information Network

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Report Highlights:

Mexico's sugar production is forecast at 6.25 million metric tons raw value (MMT-RV) in marketing year 2023/24 (October-September), an increase of nearly 3 percent compared to MY 2022/23 based on lower fertilizer costs and a return to average weather conditions. Forecast sugar production for MY 2022/23 is 6.05 MMT-RV, lower than the previous year due to poor weather and high fertilizer costs.

Production

Mexico's sugar production is forecast at 6.25 million metric tons raw value (MMT-RV) in marketing year (MY) 2023/24 (October-September), a slight increase over forecast MY 2022/23 production based on lower fertilizer costs and an expected return to average weather conditions. Forecast sugar production for MY 2022/23 is 6.05 million MMT-RV, down from the prior year due to unfavorable weather conditions and the high cost of fertilizer, somewhat offset by a five percent increase in harvested area. Drought conditions, rains during harvest time, and less fertilizer use resulted in lower field yields. Industry and government officials report that production will be adequate to enable Mexico to fulfill its quota for sugar exports to the United States this year.

Table 1: Mexico Production, Supply, and Distribution Data in (1000 MT)

Sugar, Centrifugal	**2021/2022**		**2022/2023**		**2023/2024**	
Market Year Begins	**Oct 2021**		**Oct 2022**		**Oct 2023**	
Mexico	**USDA Official**	**New Post**	**USDA Official**	**New Post**	**USDA Official**	**New Post**
Beginning Stocks (1000 MT)	1116	1116	1022	1022	0	1062
Beet Sugar Production (1000 MT)	0	0	0	0	0	0
Cane Sugar Production (1000 MT)	6556	6250	6254	6047	0	6250
Total Sugar Production (1000 MT)	6556	6250	6254	6047	0	6250
Raw Imports (1000 MT)	0	0	0	0	0	0
Refined Imp.(Raw Val) (1000 MT)	33	15	37	13	0	15
Total Imports (1000 MT)	33	15	37	13	0	15
Total Supply (1000 MT)	7705	7381	7313	7082	0	7327
Raw Exports (1000 MT)	1407	1457	1022	1105	0	1100
Refined Exp.(Raw Val) (1000 MT)	370	340	270	245	0	271
Total Exports (1000 MT)	1777	1797	1292	1350	0	1371
Human Dom. Consumption (1000 MT)	4342	4150	4418	4270	0	4382
Other Disappearance (1000 MT)	564	370	565	400	0	480
Total Use (1000 MT)	4906	4520	4983	4670	0	4862
Ending Stocks (1000 MT)	1022	1064	1038	1062	0	1094
Total Distribution (1000 MT)	7705	7381	7313	7082	0	6250
(1000 MT-RV)						

Table 2: Mexico Production, Supply, and Distribution Data in (1000 HA), (1000 MT)

Sugar Cane for Centrifugal	2021/2022		2022/2023		2023/24	
Market Year Begins	Nov 2022		Nov 2023		Nov 2023	
Mexico	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted (1000 HA)	853	823	853	853	0	850
Area Harvested (1000 HA)	806	792	804	829	0	815
Production (1000 MT)	54681	53750	55602	51702	0	55420
Total Supply (1000 MT)	54681	53750	55602	51702	0	55420
Utilization for Sugar (1000 MT)	54681	53750	55602	51702	0	55420
Utilization for Alcohol (1000 MT)	0	0	0	0	0	0
Total Utilization (1000 MT)	54681	53750	55602	51702	0	55420
(1000 HA) ,(1000 MT-RV)						

According to published data from the National Committee for the Sustainable Development of Sugar Cane (CONADESUCA) for the MY 2022/23 harvest, CONADESUCA estimates a production of 6,139,561 metric tons raw value (MT-RV) with a harvestable estimate of 803,662 hectares and a volume of sugarcane to be crushed of 54,783,019 tons. CONADESUCA puts field yield at 68,167 MT per ha and calculates factory yield at 11.25 percent.

Table 3: MY 2022/23 CONADESUCA Second Official Estimate (Metric Tons Raw Value)

Total Supply	**7,182,890**
Beginning Stocks	1,022,129
Production	6,139,561
Imports	21,200
Total Use	**6,179,727**
Exports	1,343,338
The U.S. and Puerto Rico	1,072,220
World Markets	271,118
Deliveries to Domestic Users	4,836,389
IMMEX	455,800
Food	4,380,589
Ending Stocks	**1,003,164**

CONADESUCA’s Second Estimate as of February 24, 2023

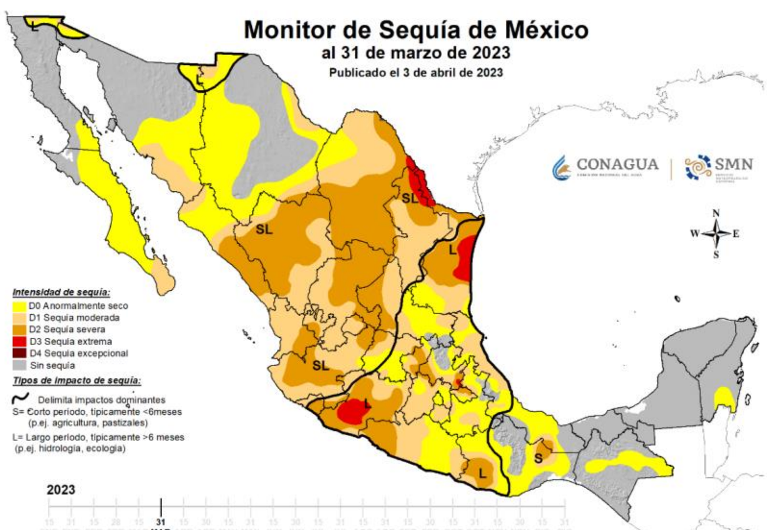
Table 4: CONADESUCA Second Estimate vs. Actual Production

Production Variables	MY 2022/23 Estimate	MY 2022/23 Actual*	Change
Harvested area (ha)	564,592	552,458	-2.15
Harvested cane (t)	36,798,495	35,678,375	-3.04
Field yield (t/ha)	65.18	64.58	-0.60
Sugar production (t)	4,032,485	3,857,553	-4.34
Factory yield (%)	10.96	10.81	-0.16

*October 1, 2021, through March 26, 2022
Source: CONADESUCA

The weather conditions created by La Niña have affected the amount of rain and timing of rains this year. A continued drought in the Gulf region (See Map 1) has affected production in Mexico's main sugar production area. According to Mexico's National Water Commission (CONAGUA), drought monitoring shows conditions ranging from abnormally dry to severe drought for ongoing MY 2022/23 planting. In Veracruz, where over 40 percent of Mexico's sugar is grown, the rains stopped earlier than expected last summer during the cane's vegetative development, negatively impacting production. In 2023, the rains came earlier than expected in the country's southeast and rained during harvest, reducing the quality of cane delivered to mills. This rainfall coincides with the peak milling when excess water results in lower sugar recovery. However, no frost damage was reported in the growing areas. Despite average yields during the season's first quarter, crushing as of March has resulted in lower yields and output, given that sugarcane fields have been affected by weather adversities.

Map 1: Drought Monitor Map March 31, 2023



Source: CONAGUA

Last year’s high fertilizer prices prevented farmers from applying fertilizer during the summer, which will affect production this year. Prices have since fallen, and farmers will be using average amounts this year.

As of February, CONADESUCA reports that 48 of the 49 mills are running. One mill is offline due to financial issues and has no plans of re-starting production this year, with the mill owners currently seeking a buyer. The sugarcane harvested from areas surrounding the offline mill is being delivered to other more distant mills, adding to costs due to an additional 2-hour drive per delivery.

Mexico’s total sugarcane planted area for MY 2022/23 is estimated at 853,000 ha, and total harvested area is an estimated 829,0000 ha. Harvested area is approximately 5 percent higher than the prior year. Table 5provides sugarcane harvested area since 2016, with 2023 the largest harvested area in the last eight years.

Table 5: Area Harvested to Sugarcane (1,000 ha).

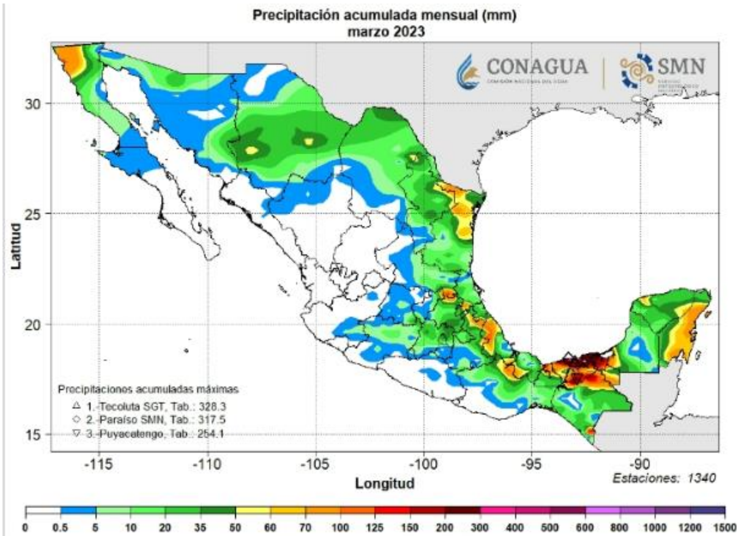
	2016	2017	2018	2019	2020	2021	2022	2023*
Mexico	777	780	804	810	812	790	792	829
Source: CONADESUCA. *Estimate. (1000 HA)								

Veracruz is the top sugar cane-producing state, accounting for 43 percent of total production, followed by San Luis Potosi with 31 percent and Jalisco with 10 percent.

Source: CONADESUCA

Map 2 shows consistent precipitation through March and April, with forecasts showing a continuation as high volumes of humidity enter from both the Pacific and the Atlantic Ocean. These conditions will establish favorable soil conditions for the end of the current marketing year and the start of the next one.

Map 2: Precipitation Map March Accumulation



Source: CONAGUA

TRADE

The MY 2023/24 sugar export forecast is 1.37 MMT-RV on the expectation of continued demand in the United States but moderate growth in exports to other world markets due to lower production. Domestic production typically covers need, with specialty imports for products not produced in Mexico. The Post forecast for MY 2023/24 imports is 15,000 MT-RV.

Most of Mexico's sugar exports go to the United States, Mexico's most profitable export market. In December, the United States raised the sugar quota by 47,700 MT-RV to 1.184 MMT-RV. On December 29, 2022, the Secretariat of Economy of Mexico published a Notice increasing the annual export quota volume for sugar destined for the United States for the 2022-2023 period. Forecast national production of 6.05 MMT-RV provides sufficient availability for the total quota shipment without reducing the cycle's final inventories from its level of 2.5 months of national consumption. As of April 3, Mexico has exported 466,506 MT-RV to the United States.

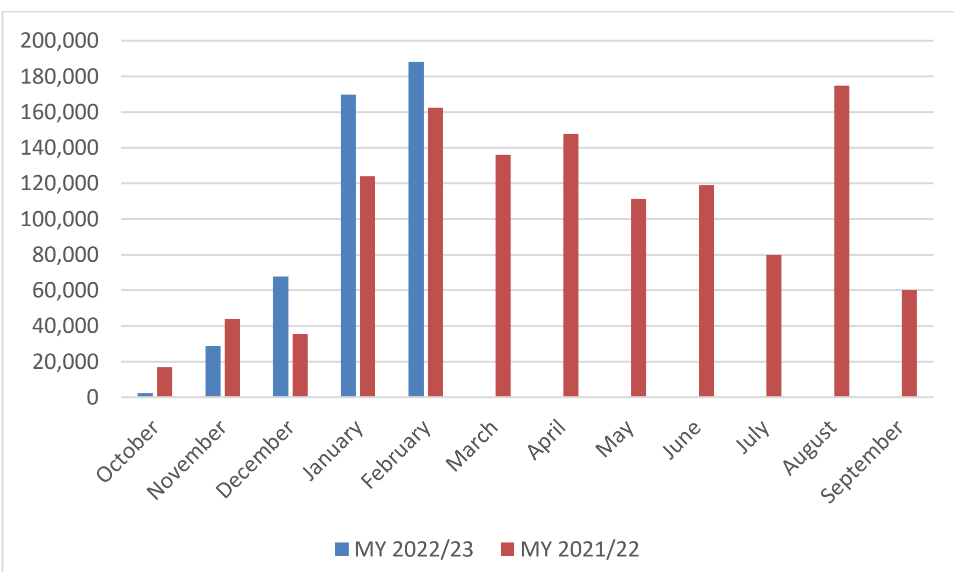
Table 6: Mexican Sugar Exports Under Quota (MT-RV)

Month	MY 2022/23	MY 2021/22	Variation % 2022/2023 vs 2021/2022
October	2,420	16,996	-85.8
November	28,836	44,026	-33.8
December	67,850	35,550	92.9
January	169,730	123,975	37.0
February	188,077	162,401	15.8
March		136,063	
April		147,772	
May		111,178	
June		118,932	
July		79,945	
August		174,893	
September		59,993	
Total	**466,506**	**1,211,725**	**-61.5 (16.2)**

Last update April 3, 2023
Source: CONADESUCA

Government of Mexico officials and industry representatives expect the U.S. quota to be fulfilled if most of Mexico's world exports are directed to the U.S. and if the Mexican domestic deliveries to the Industria Manufacturera, Maquiladora y de Servicios de Exportación (IMMEX) program are reduced by 47,000 MT-RV to 400,000 MT-TV. Usually, imports from Mexico are strongest in the second half of the season. U.S. sugar imports from Mexico were strong in January, but average Mexican sugar prices were near record highs.

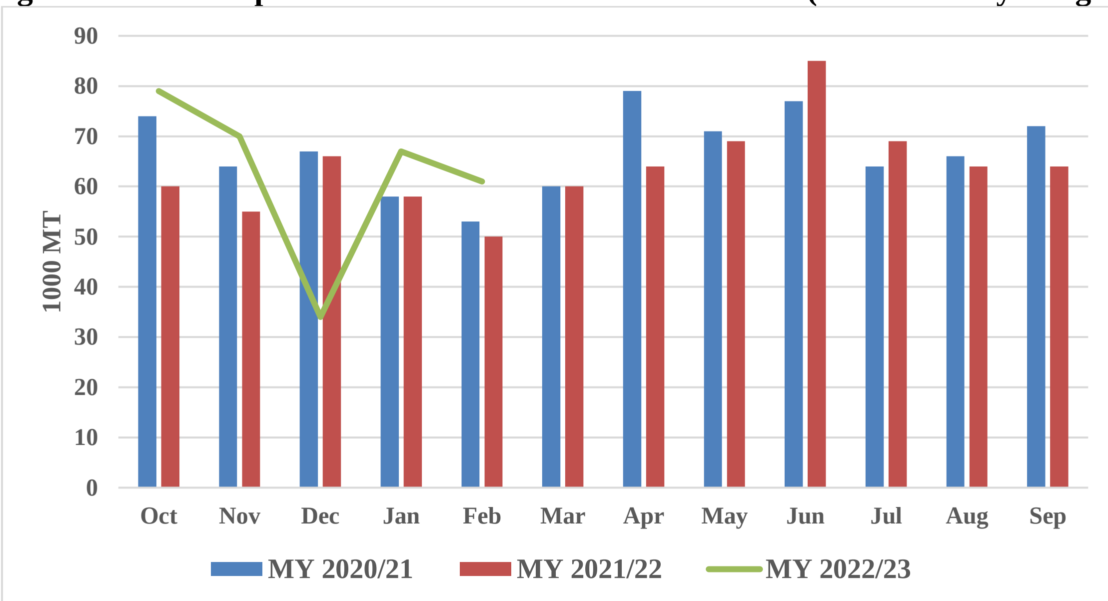
Figure 1: Monthly Sugar Imports from Mexico to the United States (MT-RV)



High Fructose Corn Syrup (HFCS)

Imports of high fructose corn syrup have increased by 22,262 MT compared to the previous cycle, partly because of the logistical problems that affected them last year. Post forecasts HFCS imports for MY 2023/24 at 806,000 MT dry basis, with MY 2022/23 HFCS imports at 798,000 MT dry basis. As the industry continues to be pressured by labeling regulations and consumers tend to healthier foods, many high-caloric foods are being reformulated, demanding less sugar and HFCS in their processes.

Figure 2: HFCS Imports MY 2022/23 vs 2021/22 vs 2020/21 (1000 MT- Dry Weight)



March 17, 2023
Source: CONADESUCA

Table 8: HFCS Imports (1000 MT)

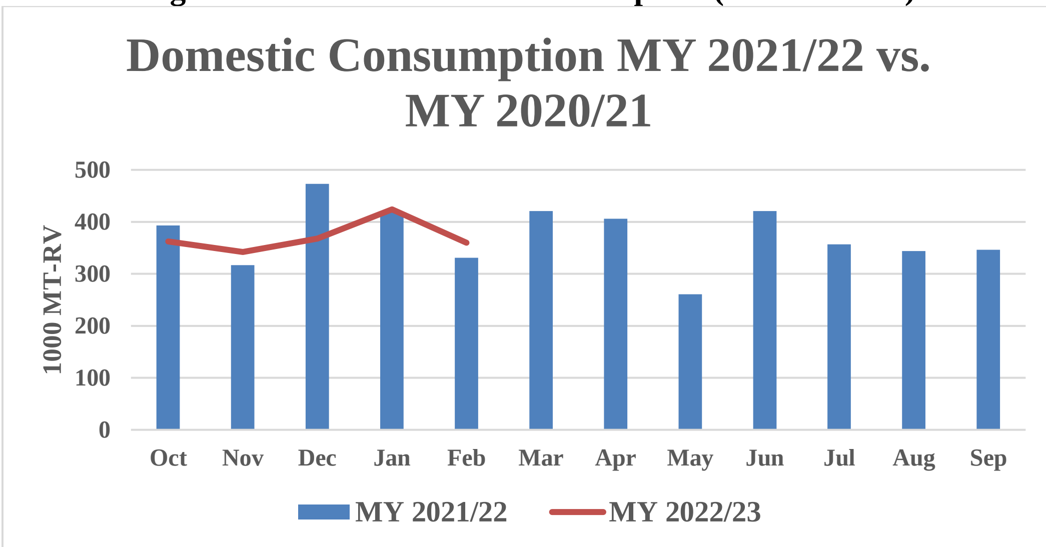
Imports HFCS (dry weight)	MY 2021/22	MY 2022/23
Oct	60	79
Nov	55	70
Dec	66	34
Jan	58	67
Feb	50	61
Mar	60	0
Apr	64	0
May	69	0
Jun	85	0
Jul	69	0
Aug	64	0
Sep	64	0

Source: CONADESUCA

CONSUMPTION

The FAS Mexico forecast for 2023/24 sugar consumption is 4,382 MMT-RV. In line with population growth but a more stagnant domestic food-processing sector, consumption is expected to grow at about 1.5 percent. High prices during the first and second quarters of the marketing year will result in a slowdown in consumption. More challenging economic conditions will slow consumption growth in 2023/24. Human domestic consumption does not include sugar sold to domestic companies as an input for further processing and export. In recent years, new labeling regulations and consumer preferences for lower-calorie products have slightly reduced consumption and demand.

Figure 3: Human Domestic Consumption (1000 MT-RV)



February 16, 2023
Source: CONADESUCA

STOCKS

MY 2023/24 ending stocks are forecast at 1.094 MMT-RV on strong domestic and U.S. demand. The MY 2022/23 ending stocks forecast is 1.062 MMT-RV. By law, all mills stock a two-month supply of sugar; however, the Secretariat of Economy requested that mills stock for 2.5 months. This requirement is not based on law, and if Mexico cannot produce enough sugar for domestic and U.S. quota, mills may reduce stocks to a two-month supply.

PRICES

In April of 2023, prices exhibited double-digit growth of 31 percent compared to April of 2022. Refined sugar prices rose to the highest level in over a decade during the second week of April 2023, and are on track to grow 11 percent in May, the highest monthly price growth since 2021. High prices benefited both planters and millers, with revenue for each group calculated based on sugar yield, mill-specific price (determined by price surveys in the area surrounding each mill), and the revenue-sharing arrangement in force (i.e., 57 percent to the farmer and 43 percent of sugar output to the miller). However, the growers suffered from the high cost of fertilizers and labor. The tight supply resulting from the drop in production will sustain prices with an upward trend. These upward prices will have an impact on consumers and the inflation rate.

The Secretariat of Economy, through the National Information and Market Integration System (SNIIM), and CONADESUCA, through the Information System of the National Sugar Market (SIMAN), report monthly sugar prices of sugar delivered to local markets in various Mexican cities and from different mills.

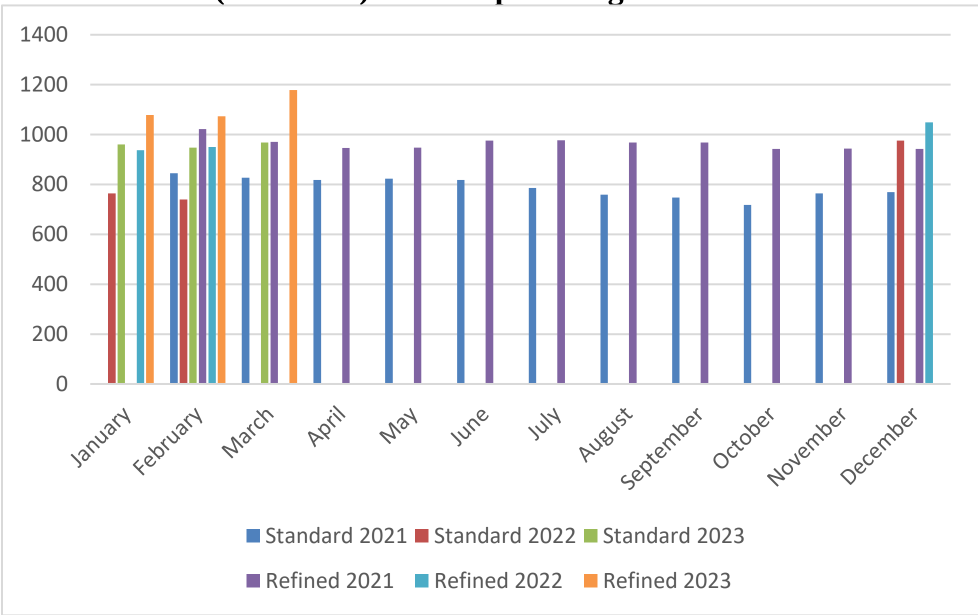
Table 7: Mexico Average Wholesale Sugar Prices in Mexico City (CIF Basis) in Pesos per

Month	Standard			Refined		
	2021	**2022**	**2023**	**2021**	**2022**	**2023**
January	NA	764.50	959.77	NA	937.17	1,078.73
February	845.00	739.88	947.50	1,021.67	950.42	1,073.42
March	827.13	826.87	967.50	970.93	944.73	1,178.75
April	818.50	793.81	990.00*	946.67	938.67	1,230.00*
May	822.75	797.80	N/A	947.25	930.73	N/A
June	818.30	813.00	N/A	976.17	961.19	N/A
July	786.38	830.71	N/A	976.92	968.15	N/A
August	758.50	826.00	N/A	968.20	977.75	N/A
September	746.75	895.21	N/A	968.33	989.56	N/A
October	717.88	991.25	N/A	942.50	1,037.83	N/A
November	763.75	984.50	N/A	943.75	1,041.45	N/A
December	769.75	976.25	N/A	941.75	1,049.33	N/A

Source: SNIIM (National Service of Market Information)

*** As 1er week of April 27, 2023**

Table 8: Mexico: Average Wholesale Sugar Prices in Mexico City (CIF Basis) in Pesos per Kilograms-Bulk



Errata: The previous Sugar Annual GAIN report published on May 4, 2022, contained an incorrect label for the second chart on page 6. The chart should have been labeled "Mexico's Sugar Exports (MT-RV)" since it provides Mexico's total exports to the world, including to the United States.

Attachments:

No Attachments