Required Report: Required - Public Distribution **Date:** October 11, 2022

Report Number: MX2022-0050

Report Name: Sugar Semi-annual

Country: Mexico

Post: Mexico City

Report Category: Sugar

Prepared By: Gerardo Aragon

Approved By: Alexander Chinh

Report Highlights:

FAS-Mexico forecasts a nearly 6 percent decrease in sugar production to 6.16 million metric tons raw value (MMT-RV) during marketing year (MY) 2022/23 due to lower rainfall levels and higher input prices. Production for MY2021/22 increased by 8.2 percent to 6.56 MMT-RV, mainly driven by an abundance of rainfall during critical growing months, lower input costs, and historically high prices creating incentives to maintain planted area.

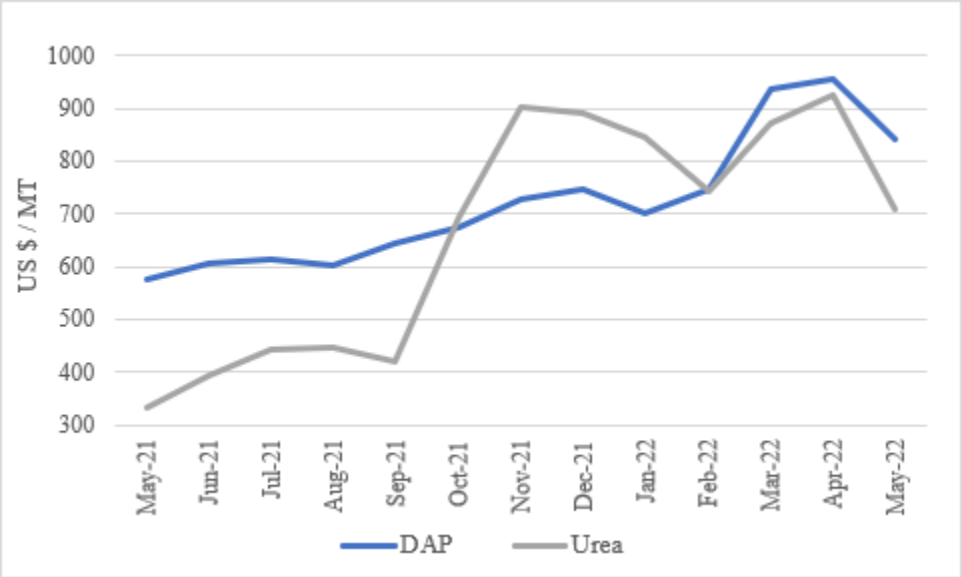
PRODUCTION

Post has revised its production forecast for marketing year (MY) 2022/23 downward to 6.16 million metric tons raw value (MMT-RV), a 5.7 percent decrease compared to MY2021/22. There was inadequate precipitation during the critical growing season (mainly in August), higher input costs (especially for fertilizer), and a shortage of manual labor that affects the amount of harvest. Higher transportation costs and a lack of government assistance also point to lower production in MY2022/23.

The average prices of fertilizers were 80 percent higher in May 2022 compared to the same month in 2021. Sugarcane growers mostly use granulated fertilizers, such as urea, and use smaller quantities of diammonium phosphate (DAP). In general, the greatest demand for fertilizers and applications occurs when the rains begin, between May and July.

Officials at National Committee for Sustainable Development of the Sugar Cane (CONADESUCA) report that field labor shortages have occurred this year due to high demand for labor by other agricultural sectors. However, industry sources indicate that mills have not been affected by a labor shortage due to the technical nature mill work.

Figure 1. Monthly Fertilizer Prices



Source: World Bank Commodity Price Data (The Pink Sheet)

Post forecasts MY2022/23 planted area at 853,000 hectares (HA), in line with the previous year's estimate, with MY2022/23 harvested area forecast at 804,000 HA.

On August 4, the CONADESUCA released the last weekly production report for MY2021/22 with final production at 6.56 MMT-RV, an 8.2 percent increase from MY2020/21. Harvested area was 805,682

HA, with 57.96 MMT-RV of harvested cane. The biggest production increases were observed in Veracruz at 13.5 percent, Oaxaca at 14.4, and San Luis Potosi at 6.6 percent. In MY2021/22, sugarcane production in Mexico increased due to high selling prices of sugarcane, increased rainfall during critical growing period, and increase in planted areas.

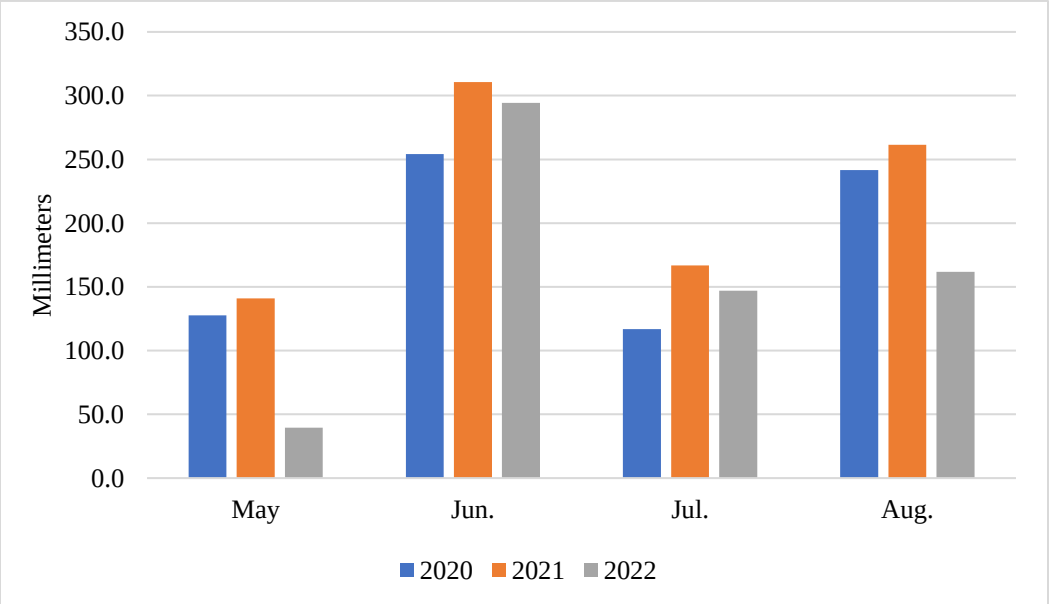
Table 1. Official Estimates vs Actual Production MY 2021/22

	MY 2021/22 Estimate	MY 2021/22 Actual	Change from previous MY
Harvested area (ha)	804,776	805,682	1.99%
Harvested cane (mt)	54,624,053	54,680,831	6.61%
Field yield (mt/ha)	67.87	67.87	4.53%
Sugar production (mt)	6,174,813	6,185,050	8.22%
Factory yield (%)	11.3	11.31	1.53%

Source: CONADESUCA

Mexico's rainy season is from May to September, with rainfall during June through August having the greatest effect on yields. Rainfall was up significantly in MY2021/22 compared to the previous year in the leading sugar-producing state of Veracruz (13.2 percent of total production), with a year-on-year increase of 22.2 percent in June, 42.8 percent in July, and 8.1 percent increase in August.

Figure 2. Monthly Average Rainfall in Veracruz during Critical Growing Months



Source: FAS Mexico with data from Comision Nacional del Agua (CONAGUA)

Sugarcane production in Veracruz increased by 282,200 MT in 2021/22. Sixty percent of Mexico's overall production increase by volume came from Veracruz. In addition to higher yields from increased rainfall, industry sources report that some growers in Veracruz, Jalisco, and Morelos have adopted new precision irrigation systems to increase yield. Likewise, factory yields are reportedly higher due to more efficient processing.

For MY2021/22, production of refined, standard, and raw sugar increased while special white and mascabado sugar decreased. Production of standard type sugar increased by 9.9 percent and raw sugar < 99.2 increased by 27.4 percent. The moscabado type decreased 95.6 percent, likely due to low demand.

Table 2. Final Production by Quality (M.T.) MY 2020/21

Sugar Type	MY 2020/21 (mt)	MY 2021/22 (mt)	Change from previous MY (%)
Refined	1,348,267	1,361,791	1.00
Standard	3,410,438	3,747,033	9.87
Special white	182,721	134,391	-26.45
Mascabado	35,876	1,584	-95.58
Raw sugar < 99.2	738,146	940,252	27.38
Total	5,715,448	6,185,051	8.22

Source: CONADESUCA

Table 3 shows the production levels of the top producing states. As in previous marketing years, the top three producers were Veracruz, Jalisco, and San Luis Potosi, representing 62.4 percent of the total production.

Table 3. Final Sugar Production and Yield by State MY 2021/22

State	Area Harvested (ha)	Cane Harvested (mt)	Field Yield (mt/ha)	Sugar Production (mt)	Factory Yield (%)
Veracruz	341,062	22,252,041	65.24	2,412,736	10.84
Jalisco	74,732	6,560,714	87.79	765,270	11.66
San Luis Potosí	103,179	5,619,830	54.47	685,938	12.21
Others	286,709	20,248,248	70.62	2,321,107	11.46
Total	**805,682**	**54,680,831**	**67.87**	**6,185,050**	**11.31**

Source: CONADESUCA

Figure 3. Sugar Producing States

The government of Mexico divides the country into sugar-producing regions based on climatic conditions and supply area of the mills. The regions of Papaloapan-Gulf, Northeast, and Cordoba-Gulf contributed 62.6 percent of total production. Although the Central region only contributed 8.5 percent of the total production, it has the highest field and factory yields.

Table 4. Final Sugar Production by Region MY 2021/22

Region	Area Harvested (ha)	Cane Harvested (mt)	Field Yield (mt/ha)	Sugar Production (mt)	Factory Yield (%)
Center	44,002	4,234,405	96.23	528,331	12.48
Cordoba - Gulf	133,610	8,229,660	61.59	911,146	11.07
Northeast	186,101	10,980,841	59.00	1,284,484	11.70
Northwest	31,951	2,091,719	65.47	244,966	11.71
Pacific	103,507	8,603,978	83.12	1,010,334	11.74
Papaloapan - Gulf	184,313	12,154,108	65.94	1,303,654	10.73
Southeast	122,200	8,386,120	68.63	902,136	10.76
Total	**805,682**	**54,680,831**	**67.87**	**6,185,050**	**11.31**

Source: CONADESUCA

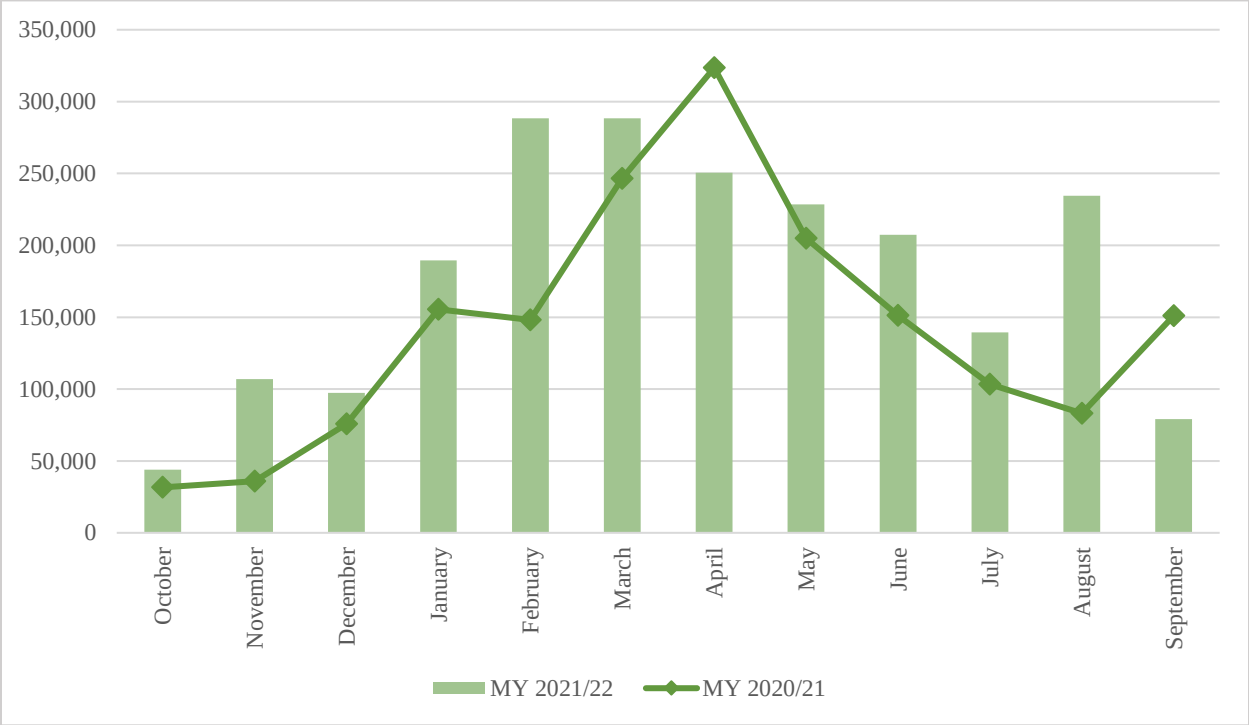
PLANTED AND HARVESTED AREA

Post forecast for planted area for MY2022/23 is 852,803 HA, unchanged from Post's estimate for MY2021/22. High sugar prices created an incentive for farmers to maintain a relatively large planted area similar to that of MY2021/22. Post forecasts a harvested area of 803,602 HA in MY2022/23, a slight decrease due to lower levels of rainfall during the beginning of this year's rainy season. (See Figure 2)

TRADE

For MY2022/23, Post forecasts total exports at 1.6 MMT-RV, an 8 percent decrease from the previous marketing year, including 1.09 MMT-RV of raw sugar exports and 0.51 MMT-RV of refined sugar exports. The United States is by far the leading importer of Mexican sugar. Mexican producers are trying to export lower grade quality sugar to North African countries but have had varying degrees of success. For example, Mexico exported 0.416 MT of sugar to Morocco in MY2018/19, 0.007 MT in MY2019/20, and 0.121 MT in MY2020/21.

Figure 4. Mexican Sugar Exports (MMT-RV)
MY 2021/22 versus MY 2020/21



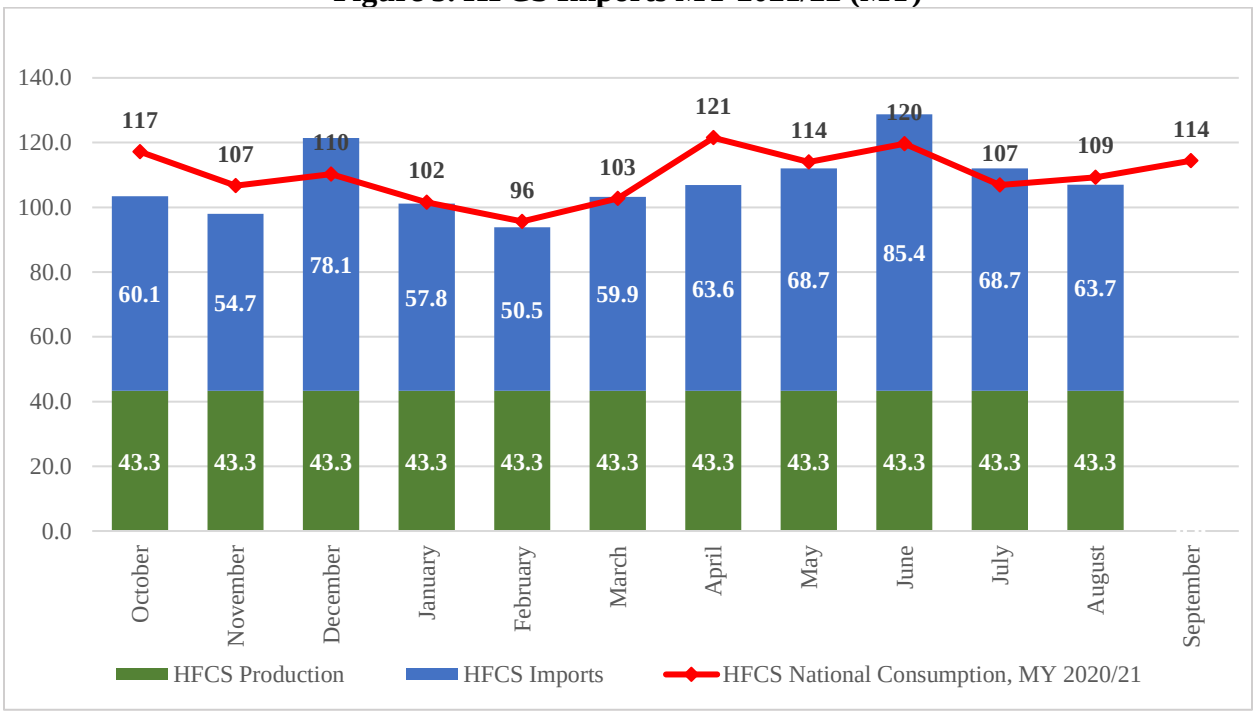
*Through September 18, 2022
Source: CONADESUCA

CONSUMPTION

Due to Mexico's deteriorating economic conditions in 2023, including rising inflation, Post estimates domestic consumption will only increase marginally to 4.25 MMT-RV, based on population growth of 1.1 percent. In the case of the demand for sugar from the export program (IMMEX), included in the category 'Other Disappearance', Post estimates the same level of demand due to low economic growth expectation worldwide.

Since 2017, high fructose corn syrup (HFCS) has had a stable level of demand ranging between 1.3 to 1.6 MMT. Post's forecast for HFCS imports in MY2022/23 is 1.3 MT, unchanged from the previous marketing year.

Figure 5. HFCS Imports MY 2021/22 (MT)



Source: CONADESUCA

STOCKS

The Post forecast for MY2022/23 ending stocks is 1.125 MT, a decrease of 11.3 percent on decreased production and continuing strong demand from the United States. Ending stocks in MY2021/22 is estimated 8.2 percent higher than the prior marketing year due to high levels of production, the third highest since MY2008/09.

SUGAR PRICES

During the last two years, the price of sugar has been high, which creates incentives to keep or increase marginally the production area. According to the Servicio de Información Agroalimentaria y Pesquera (SIAP), the average rural price of sugarcane during the period 2009-2020 was 609.5 Mexican pesos per ton. In 2021, the rural price of sugarcane was 849.4 peso per ton.

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. The average wholesale sugar prices in Mexico City are similar in 2021 and 2022 and are expected to remain high due to high input prices.

Table 5. Mexico: Average Wholesale Sugar Prices in Mexico City (CIF Basis) in Pesos per 50 Kilograms – Bulk

Month	Standard			Refined		
	2021	2022	Percent change	2021	2022	Percent change
January	NA	764.5	-	NA	937.17	-
February	845.0	739.9	-12.4	1,021.7	950.42	-7.0
March	827.1	826.87	0.0	970.93	944.73	-2.7
April	827.4	793.81	-4.1	945.83	938.67	-0.8
May	822.8	797.8	-3.0	947.25	930.73	-1.7
June	818.3	813	-0.6	976.17	961.19	-1.5
July	786.4	830.71	5.6	976.92	968.15	-0.9
August	758.5	826	8.9	968.2	977.75	1.0
September	746.8	895.21	19.9	968.33	989.56	2.2
October	717.9	-	-	942.5	-	-
November	763.8	-	-	943.75	-	-
December	769.8	-	-	941.75	-	-

NA: No prices available
Source: National Market Information Service SNIIM

Table 6. Mexico - Centrifugal Sugar PS&D

Sugar, Centrifugal	2020/2021		2021/2022		2022/2023	
Market Year Begins	oct-20		oct-21		oct-22	
Mexico	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Beginning Stocks (1000 MT)	910	909	1,116	1,116	976	1,269
Beet Sugar Production (1000 MT)	0	0	0	0	0	0
Cane Sugar Production (1000 MT)	6,058	6,058	6,537	6,556	6,360	6,166
Total Sugar Production (1000 MT)	6,058	6,058	6,537	6,556	6,360	6,166
Raw Imports (1000 MT)	0	0	0	0	0	0
Refined Imp.(Raw Val) (1000 MT)	69	34	53	21	53	21
Total Imports (1000 MT)	69	34	53	21	53	21
Total Supply (1000 MT)	7,037	7,001	7,706	7,694	7,389	7,456
Raw Exports (1000 MT)	880	915	1663	1576	1356	1092
Refined Exp.(Raw Val) (1000 MT)	355	252	390	165	370	509
Total Exports (1000 MT)	1,235	1,167	2053	1741	1,726	1,601
Human Dom. Consumption (1000 MT)	4,171	4,172	4,150	4,207	4,160	4,253
Other Disappearance (1000 MT)	515	479	527	477	527	477
Total Use (1000 MT)	4,686	4,651	4,677	4,684	4,687	4,730
Ending Stocks (1000 MT)	1,116	1,116	976	1,269	976	1,125
Total Distribution (1000 MT)	7,037	7,001	7,706	7,694	7,389	7,456
(1000 MT)						

* All figures in raw value

Source: FAS Mexico with information from CONADESUCA

Table 7. Mexico - Sugarcane for Centrifugal PS&D

Sugar Cane for Centrifugal	2020/2021		2021/2022		2022/2023	
Market Year Begins	Nov-20		Nov-21		Nov-22	
Mexico	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted (1000 HA)	848	832	823	853	830	853
Area Harvested (1000 HA)	812	790	792	806	795	804
Production (1000 MT)	55,000	51,293	53,804	54,681	54,300	55,602
Total Supply (1000 MT)	55,000	51,293	53,804	54,681	54,300	55,602
Utilization for Sugar (1000 MT)	55,000	51,293	53,804	54,681	54,300	55,602
Utilization for Alcohol (1000 MT)	0	0	0	0	0	0
Total Utilization (1000 MT)	55,000	51,293	53,804	54,681	54,300	55,602
(1000 HA),(1000 MT)						

Source: FAS Mexico with information from CONADESUCA

Attachments:

No Attachments