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Global Agricultural Information Network

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Mexico

Grain and Feed Annual

Modest Growth Expected for Grain Production and Imports

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Report Highlights:

Production of feed grains is expected to increase slightly over the review period, due in part to government incentive programs. Consumption continues its steady growth trends, with expansion in the animal feed sector driving higher growth for feed grains than for food grains. Mexico continues to be an excellent market for U.S. grain exports – it was the top export destination for corn, wheat, and rice by volume in 2018.

EXECUTIVE SUMMARY

Grain production is expected to grow modestly in marketing year (MY) 2019/20, driven in part by new government programs incentivizing small farmers to produce basic grains. However, as these programs are still in their initial phases, it is not clear how they will operate and how strong of an impact they may have on production.

Overall feed grain demand is expected to continue growing steadily at approximately three percent in MY 2019/20. Corn continues to be the preferred feed grain in Mexico, given low international prices and nutritional characteristics. Meanwhile, demand for grain for human consumption is forecast to grow more slowly, around the level of population growth.

Mexico continues to be a major importer of basic grains. In MY 2019/20, imports are expected to continue their modest growth to meet growing demand for feed and food grains. While the United States is likely to remain Mexico's principal supplier due to logistical advantages and existing business relationships, Mexico has diversified its sources of grains in the past several years. This is particularly true for wheat, and rice to a lesser extent.

Accurate estimates for stocks are generally unavailable for Mexico, and storage infrastructure is fairly limited. However, corn stocks are expected to decline in MY 2019/20, while stocks of most other grains are expected to remain relatively stable.

WHEAT

Table 1: Mexico, Wheat Production, Supply, and Demand for MY 2017/18 to MY 2019/20

Wheat Market Begin Year Mexico	2017/2018		2018/2019		2019/2020	
	Jul 2017		Jul 2018		Jul 2019	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	667	667	540	540	0	611
Beginning Stocks	876	876	768	768	0	668
Production	3494	3494	3000	3000	0	3100
MY Imports	5245	5245	5600	5600	0	5700
TY Imports	5245	5245	5600	5600	0	5700
TY Imp. from U.S.	3054	3054	0	0	0	0
Total Supply	9615	9615	9368	9368	0	9468
MY Exports	1147	1147	1000	1000	0	1050
TY Exports	1147	1147	1000	1000	0	1050
Feed and Residual	400	400	300	300	0	200
FSI Consumption	7300	7300	7400	7400	0	7500
Total Consumption	7700	7700	7700	7700	0	7700
Ending Stocks	768	768	668	668	0	718
Total Distribution	9615	9615	9368	9368	0	9468
Yield	5.2384	5.2384	5.5556	5.5556	0	5.0736

(1000 HA) ,(1000 MT) ,(MT/HA)

Production

Mexico has approximately 28,000 wheat growers, focused heavily in the northern states of Sonora, Sinaloa, and Baja California. Of these, approximately 10,000 produce bread wheat, totaling about one million metric tons (MMT). The remainder produce a durum-type wheat called “cristalino.”

The MY 2019/20 wheat crop is expected to be relatively strong at 3.1 MMT, given positive growing conditions to date. Freezes in late 2018 and January 2019 in the main growing region of Sonora are expected to positively impact wheat production given the timing and need for chill hours. However, weather in the flowering months of March and April will be key for producers. Assuming good conditions, Sonora growers expect an average yield of 6.5 MT/ha, which is consistent with MY 2018/19. Sonora has approximately 255,000 ha of wheat planted for this marketing year, of which approximately 74 percent is cristalino. Overall, harvested area is expected to increase in MY 2019/20 by about 13 percent, based on the most recent official figures as of January 31, 2019.

Producers note that relatively low prices for wheat have encouraged many growers to shift from wheat to corn production in the past few years. Corn has higher yields and farmers therefore see it as an attractive alternative. In Sonora, for example, growers shifted approximately 30,000 ha from wheat to corn production in the past two years. On the other hand, corn requires more water than either bread wheat or cristalino, so continued concerns on water availability may eventually provoke a shift back to wheat (particularly cristalino).

Private sector sources expressed skepticism that new programs such as guarantee prices (see Government Programs section below) will be successful in encouraging a significant shift from cristalino wheat and other crops to bread wheat. Producers have indicated that cristalino is more disease resistant, has higher yields, and requires less water than bread wheat. Additionally, producers feel that there are more varied markets for cristalino, which can be used domestically, be exported, or in the worst case, used for animal feed. There are also logistical limitations that make domestic bread wheat uncompetitive in the major consumption centers in central and northern Mexico (see below).

Consumption

Wheat FSI consumption is expected to increase modestly (approximately 1.4 percent) in MY 2019/20, driven primarily by population growth. Similarly, consumption increased in MY 2018/19 as bread product sales recovered following a consumption slowdown in MY 2017/18, attributed in part to advertising campaigns advocating a reduction in caloric intake. Continued declines are also possible, as the government and public health organizations launch new campaigns to fight obesity and diabetes. At the same time, feed consumption is expected to continue to decline, reflecting the relatively higher cost of wheat compared to other alternatives such as corn. As a result, total consumption is expected to remain stable at 7.7 MMT over all three marketing years.

New products perceived as being healthier than traditional alternatives continue to make headway in Mexico. For example, consumption of whole grain and organic baked goods continues to rise. Though these types of products are fairly niche and geographically limited to the major cities, they do represent one of the fastest-growing subsectors.

Mexico has several distinct wheat markets. In the southeast of Mexico and the Bajio region, millers and bakers typically use domestic bread wheat, both due to favorable logistics and regional bread

preferences. In central Mexico, including the Mexico City metropolitan area, the baking industry prefers high-protein flours, which facilitates production of the crusty, hollow breads consumers in this region prefer. In both Mexico City and in much of northern Mexico, it is logistically easier to use imported wheat.

Throughout Mexico, there are currently 85 mills owned by eleven major countries. These mills continue to modernize with more efficient equipment, and older mills are being replaced. Installed processing capacity grew to 9.4 MMT of wheat, though currently only about 6.6 MMT of this capacity is in use.

Trade

Total imports are expected to grow slightly in MY 2019/20 to 5.7 MMT. The United States continues to be the largest supplier of wheat to Mexico, followed by Canada. However, Mexico has diversified its sources of wheat over the past several years, with secondary suppliers varying depending on price and quality. MY 2017/18 and the first half of MY 2018/19 saw a significant surge in imports from Russia, and to a lesser extent, Ukraine. This was driven by low prices for Russian wheat, and especially by low shipping rates from the Black Sea. Given the low prices, millers imported more wheat, despite the fact that Russian wheat had different characteristics that required changes to formulations and recipes.

In MY 2019/20, Mexico will be open to wheat shipments from Poland and Germany for the first time. The Mexican milling industry notes that this will allow additional flexibility in terms of price and type of wheat that is available. Though Mexico did not make any purchases of Argentine wheat in 2018 after the first shipment in December 2017, private sector sources noted that this was primarily due to a lack of a good window of opportunity. However, additional wheat shipments from Argentina are expected in early 2019.

In addition to price considerations, which are central for mills' purchasing decisions, other influencing factors include protein content and homogeneity of shipments. Millers noted that different sections of a single shipment of U.S. wheat can have very different protein levels. On the other hand, protein levels in shipments from many other origins are more uniform.

Mexico also exports some cristalino wheat for use in pastas. Mexico's largest markets are Algeria and Venezuela, though Turkey and Italy have been important historically. In MY 2019/20, exports are forecast to increase just slightly due to higher domestic production.

Stocks

Stocks are expected to increase slightly to 718,000 MT, based on the projected increase in domestic production and imports. Given the availability of wheat from a wide variety of origins, industry sources indicated that millers generally do not feel the need to store large volumes of wheat.

CORN

Table 2: Mexico, Corn Production, Supply, and Demand for MY 2017/18 to MY 2019/20

Corn	2017/2018		2018/2019		2019/2020	
	Oct 2017		Oct 2018		Oct 2019	
Market Begin Year						
Mexico	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post

Area Harvested	7320	7322	7100	7130	0	7300
Beginning Stocks	5409	5409	5730	5849	0	4549
Production	27450	27569	25600	26700	0	27100
MY Imports	16129	16129	16700	16700	0	17800
TY Imports	16129	16129	16700	16700	0	17800
TY Imp. from U.S.	15525	15525	0	0	0	0
Total Supply	48988	49107	48030	49249	0	49449
MY Exports	958	958	1000	1000	0	1000
TY Exports	958	958	1000	1000	0	1000
Feed and Residual	24300	24300	25500	25500	0	26300
FSI Consumption	18000	18000	18200	18200	0	18400
Total Consumption	42300	42300	43700	43700	0	44700
Ending Stocks	5730	5849	3330	4549	0	3749
Total Distribution	48988	49107	48030	49249	0	49449
Yield	3.75	3.7652	3.6056	3.7447	0	3.7123
(1000 HA) ,(1000 MT) ,(MT/HA)						

Production

Mexico's corn production forecast for MY 2019/20 (October to September) is 27.1 MMT, with an estimated 7.3 million hectares (ha) of harvested area, assuming normal weather conditions (i.e. adequate moisture levels). Official and private sources expect corn harvested area will remain essentially unchanged compared with the average over the last five years. Both noted that cultivable corn area in Mexico has practically reached its limit. Consequently, the only options to increase planted area of corn or other basic grains are reducing livestock or forest areas, which are highly unlikely.

Corn production for the current 2018/19 fall/winter crop cycle is estimated at 7.7 MMT, which is very similar to the previous year. Crop conditions for corn planted in September and October have been adequate, due to plentiful water reservoir levels in the state of Sinaloa, the main producing state of this crop cycle. In addition, in the state of Sonora, farmers planted a larger area of corn instead of the traditional wheat. According to private sources, farmers planted approximately 55,000 ha of corn in the fall/winter 2018/19 crop cycle, compared to 45,300 ha last year and 25,750 ha two years ago, due to the bearish wheat market. It is expected that together, Sinaloa and Sonora will produce approximately 70 percent of the total production of the 2018/19 fall/winter crop cycle. Private sources expressed their concern that the strong crops in these states could provoke short-term oversupply problem, as both states harvest at the same time. The quality of corn grown in the north is expected to be average.

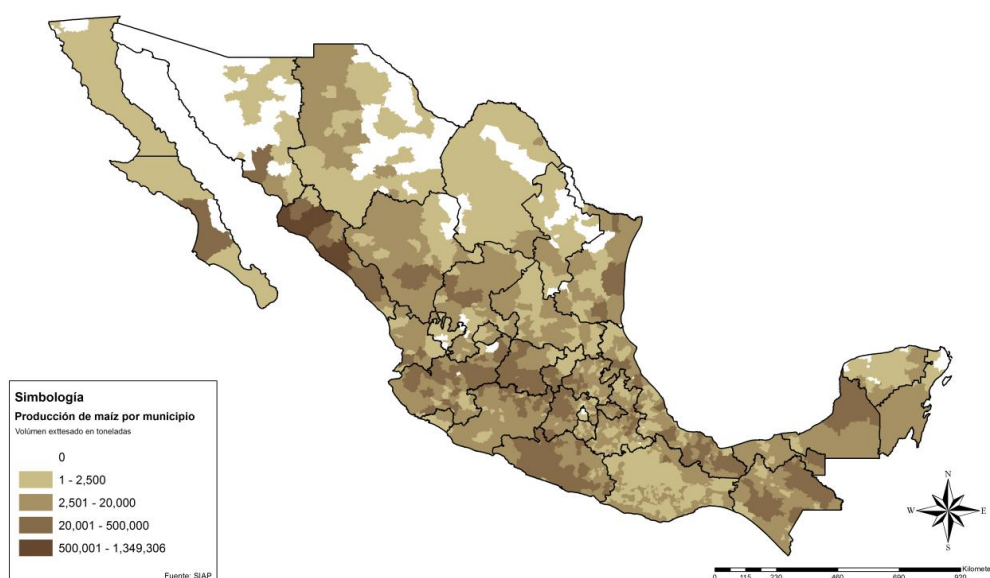
Post's total corn production estimates for MY 2017/18 and MY 2018/19 have been revised upward from the USDA/Official estimate to 27.6 MMT and 26.7MMT, respectively, due to more complete data from SADER as of January 31, 2019.

Corn is still the largest crop in Mexico in terms of production and consumption. Production in Mexico is diverse, from large-scale and irrigated commercial operations to very small farms that grow local varieties on rain-fed plots for subsistence. Despite its relevance as the main crop, several factors continue to prevent an increase of corn production (as well as other coarse grains and cereals) in Mexico. The main restriction is low productivity, as discussed in detail in the 2018 GAIN Report [MX8010](#).

Mexico is the sixth largest corn producer in the world, with approximately three percent of global corn production. Corn continues to be grown throughout the year during two seasons: spring/summer (April-March) and fall/winter (October-September). Approximately 72 percent of Mexican corn is obtained from the spring/summer season on average. In the period of MY 2014/16 to MY 2017/18, Mexican farmers produced an annual average of 26.1 MMT. The two main producing states are Sinaloa and Jalisco, which produce mainly white corn. However, the characteristics of these two states are very different. Sinaloa cultivates white corn during the fall/winter crop cycle and depends almost completely on irrigation, while Jalisco grows white corn during the spring/summer crop cycle, and more than 90 percent of its production is rain-fed.

Approximately 90 percent of Mexico corn production continues to be white corn, despite several attempts at conversion schemes (i.e. support programs) that the Mexican government has implemented to convince farmers to plant yellow corn or other crops in recent years.

Geographic location of Mexico's white corn production, 2017



Source: Prepared by SAGARPA/ASERCA, using municipal-level data from SAGARPA/SIAP (2018).

The average yield for the MY 2019/20 is forecast at 3.7123 MT/ha, which is slightly lower than the yield expected in the current MY2018/19 crop (3.745 MT/ha), as relatively bearish corn prices and lower governmental supports for commercial growers could discourage investments in yield-boosting inputs (see the Governmental Policy section below). Moreover, yields continue to vary considerably throughout Mexico depending on the technology used and water availability, as approximately 79 percent of corn production is non-irrigated. Consequently, many growers contend with semi-arid and frequent drought conditions, particularly in northern Mexico.

Technology used and management practices also vary widely across the country. Producers in the states such as Sinaloa and Chihuahua plant improved seed varieties on large, highly mechanized operations and obtain similar yields to those obtained in the United States. However, some private and official

sources indicate that production costs in some of these Mexican northern regions are still too high to compete effectively with U.S. farmers.

According to official sources, small-scale and often subsistence farmers, located particularly in the southern states such as Chiapas, Guerrero, and Oaxaca, rely on indigenous seed varieties and manual labor to cultivate their crops, limiting yields. In addition, economic geography also plays a role, as producers with little access to major markets, whether due to distance or to poor transportation infrastructure, are at once insulated from the competitive pressures of international prices and unable to access credit and input suppliers. In general, the typical Mexican corn producer still relies on applying traditional practices to a small plot of land (approximately 3.6 ha on average).

Consumption

The FAS/Mexico forecast for total corn consumption for MY2019/20 is 44.7 MMT, an increase of 2.3 percent compared to previous year. Most of the increase is accounted for by greater feed use, although food use is also expected to rise slightly. Corn grain is used for tortillas and corn flour, representing a large part of the caloric intake of the population.

Private analysts have stated that the Mexican corn market differs from most other countries, as corn is primarily considered a food grain rather than a feed grain. Due to this difference, Mexico has developed two distinct corn markets: one for white corn mainly for human consumption (although some goes to feed, especially at the smaller and subsistence farming levels), and one for yellow corn, which is mainly for feed use (although some goes to produce cornstarch and cereals). According to private and official sources, the starch/fructose industry consumes approximately 2.9 MMT of yellow corn annually.

Population growth is the main factor contributing to the increase of corn for human consumption for MY 2019/20. Despite the fact that corn continues to be the most important staple crop in Mexico and its demand is constant throughout the year, private sources continue to note that per capita consumption has declined in the last few years. This contraction is explained by slowed economic growth and relative deterioration of Mexican consumer income, an increase in corn flour and tortilla prices, as well as a change in consumption patterns in the last decades. This change is especially noticed in the cities, in the diet of young people, and in the middle to upper classes. The increasing presence of fast foods in both urban and rural areas also plays a role.

For feed consumption, corn grain is fed to livestock and poultry in its original form either by itself or in combination with supplements in compound feed. According to private sources, animal feed industry is expected to grow approximately three percent in 2019. The poultry sector continues to be the major user of feed grains in Mexico (mainly corn). According to the National Union of Poultry Farmers (UNA), the Mexican poultry industry, as a whole, grew by 3.0 percent in 2018, and this trend is expected to continue in 2019. UNA stated that feed continues representing approximately 65 percent of the total cost of production of broiler meat

**Mexico: Production of Feed Ingredients
(1,000s of Metric Tons)**

Calendar Year:	2012	2013	2014	2015	2016	2017	2018
Compound Feed Capacity	35,200	35,670	36,200	37,000	38,000	38.358	38.500
Total Compound Feed Produced	28,389	29,090	29,906	30,995	32,338	33.503	34,637

---- by integrated producers	17,526	18,055	18,535	19,100	19,985	20,754	21,434
---- by commercial producers	10,863	11,035	11,371	11,895	12,353	12,749	13,203
Marketing Year: (1,000 Metric Tons) Feed Production by type of animal	2012	2013	2014	2015	2016	2017	2018
Poultry	14,187	14,484	15,040	15,523	16,151	16,451	16,946
Pork	4,428	4,600	4,630	4,801	5,024	5,292	5,519
Beef Cattle	3,222	3,360	3,399	3,469	3,571	3,714	3,844
Dairy Cattle	4,570	4,606	4,686	4,843	5,107	5,337	5,497
Aquaculture	197	124	172	283	297	345	356

Source: Consejo Nacional de Fabricantes de Alimentos Balanceados y de la Nutricion, A.C.

Trade

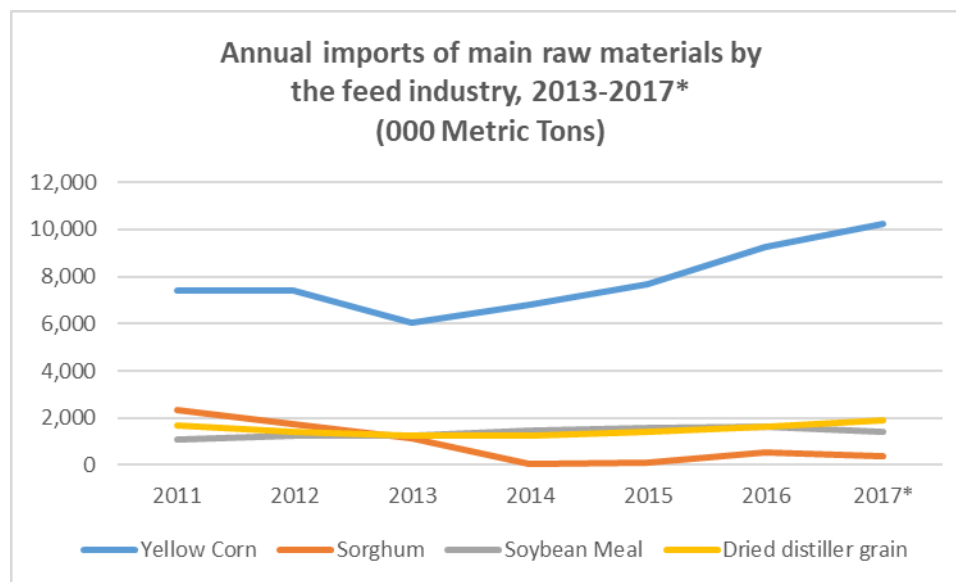
For MY 2019/20, total corn imports are forecast to increase approximately six percent over MY2018/19 to 17.8 MMT, to match the relatively bullish demand for feed consumption. Mexico's corn exports are expected to remain unchanged at 1.0 MMT in MY2019/20, due to an oversupplied and very competitive international market. Robust demand for corn as animal feed and industrial consumption has necessitated imports to supplement domestic production. Growth in feed use, particularly for the poultry sector, has been the major driver, maintaining corn import demand in the last few years. This is attributable to corn's current price competitiveness relative to other alternative feedstuffs, such as sorghum and wheat. The trend is forecast to continue in MY2019/20, according to the optimistic perspective of the animal feed sector and UNA.

Annual imports of main raw materials by the feed industry, 2013-2017* (000 Metric Tons)

	Yellow Corn	Sorghum	Soybean Meal	Dried distiller grain
2011	7,389	2,324	1,114	1,692
2012	7,409	1,726	1,262	1,404
2013	6,031	1,167	1,231	1,239
2014	6,814	56	1,450	1,268
2015	7,706	120	1,575	1,405
2016	9,251	570	1,650	1,635
2017*	10,224	377	1,443	1,887

Source: Consejo Nacional de Fabricantes de Alimentos Balanceados y de la Nutricion, A.C.

*Preliminary



*Preliminary

The United States continues to be the predominant supplier of Mexican corn imports (since even before NAFTA), because of U.S. production efficiency and proximity to Mexico, which allows corn to be transported via railroad, truck, or ship. U.S. corn exports to Mexico have trended upward in the last few years. In fact, Mexico is the number one importer of U.S. corn, though volumes fluctuate somewhat from year to year.

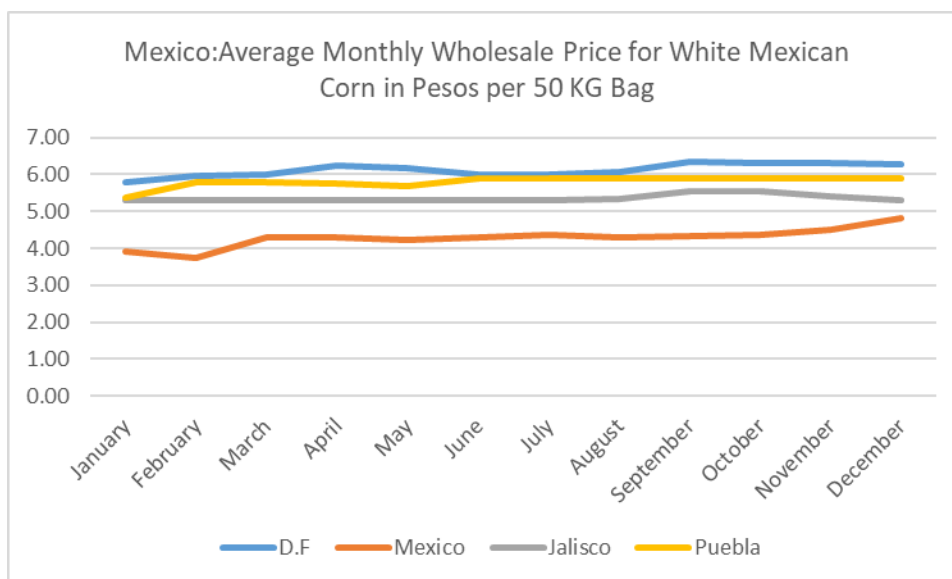
Stocks

Post's ending stocks for MY 2019/20 are forecast to decrease to 3.7 MMT, due to the increase in domestic consumption. The Post/New MY2017/18 and MY 2018/19 ending stock estimates have been revised upward from the USDA/Official estimate to 5.8 and 4.5 MMT, respectively, reflecting higher domestic production than previously estimated in both marketing years.

Mexico: Average Monthly Wholesale Price for White Mexican Corn in Pesos per 50 KG Bag (2018)

Month	D.F	Mexico	Jalisco	Puebla
<i>January</i>	5.78	3.90	5.30	5.38
<i>February</i>	5.95	3.73	5.30	5.78
<i>March</i>	6.00	4.30	5.30	5.78
<i>April</i>	6.25	4.28	5.30	5.75
<i>May</i>	6.18	4.22	5.30	5.67
<i>June</i>	6.00	4.30	5.30	5.88
<i>July</i>	6.00	4.35	5.30	5.90
<i>August</i>	6.06	4.28	5.34	5.90
<i>September</i>	6.33	4.33	5.53	5.90
<i>October</i>	6.30	4.38	5.56	5.90
<i>November</i>	6.30	4.50	5.40	5.90
<i>December</i>	6.28	4.80	5.30	5.90

Source: Servicio Nacional de Información de Mercados SNIIM-ECONOMIA



Governmental Policy and Agricultural Supports

The new presidential administration of Andres Manuel Lopez Obrador is implementing a number of changes to Mexico’s agricultural support system. While many of the programs are still being defined, it is clear that the new administration has a much stronger focus on providing supports to poorer small farmers, compared to larger commercial operations. This new focus has generated frustration with medium-sized and large farmers, who have held protests in Sinaloa and Sonora against the lack of support for commercial agriculture.

Production for Wellbeing

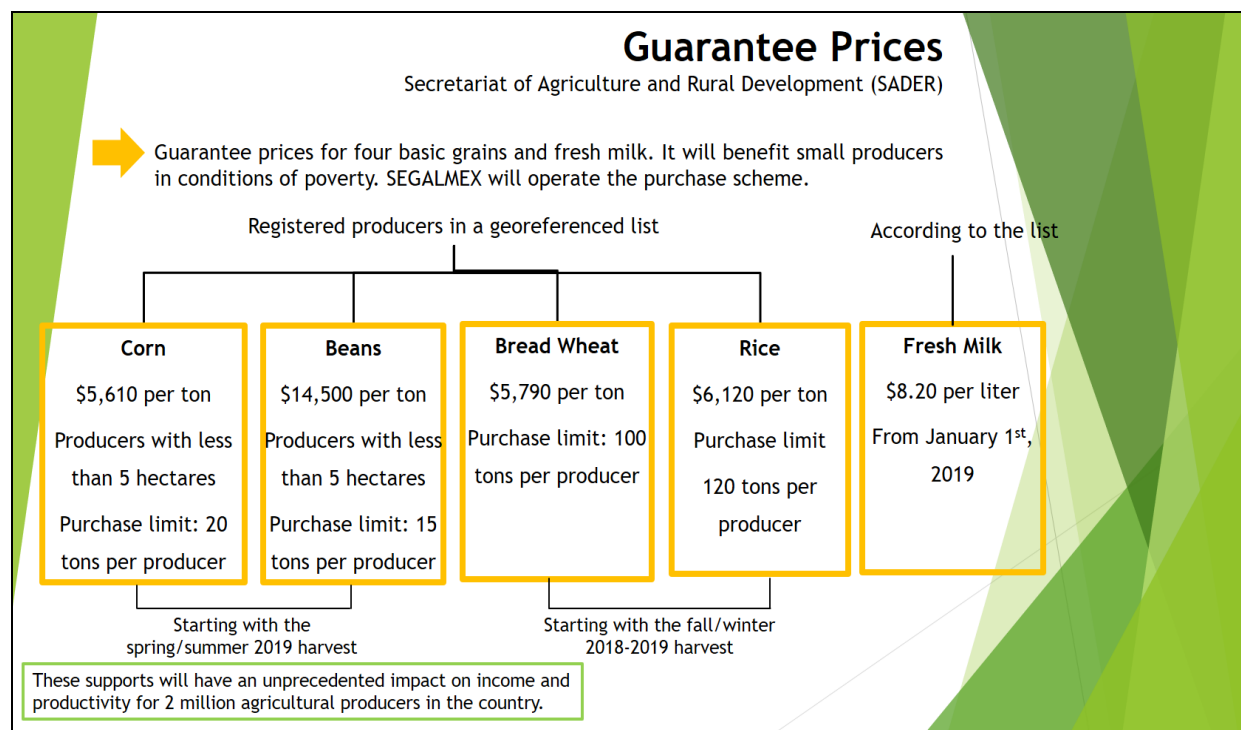
As described in more detail in [MX9002](#), the new Production for Wellbeing program replaces the previous Proagro Productivo program, maintaining a similar structure. Production for Wellbeing is a direct support program for small and medium producers of corn, dry beans, bread wheat, rice, and other grains. Producers registered under the previous Proagro or PIMAF programs will be automatically included in the new Production for Wellbeing system. The support amounts remain very similar to the Proagro amounts:

Stratum	Definition	Allocation per eligible hectare
Small Grower	Registered under Proagro, with up to 5 ha non-irrigated or 0.2 ha irrigated	1,600.00 pesos (84.21 USD)
	Registered under PIMAF, with up to 3 ha	
Medium Grower	Registered under Proagro, with 5-20 ha non-irrigated or 0.2-5 ha irrigated	1,000.00 pesos (52.64 USD)

A total of nine billion pesos (approximately 474 million USD) will be available for this program in 2019, including some payments to settle debts inherited from the previous cycle of the Proagro Productivo program.

Guarantee Prices

As promised many times during the campaign, President Lopez Obrador intends to implement a program to purchase five staple commodities from small farmers at guaranteed above-market prices. [Official guidelines](#) for this program were published on March 1, 2019. SADER has indicated that the following prices will apply:



Source: FAS/Mexico, based on a SADER graphic

The exact mechanism for purchasing and storing these products remains uncertain. Mexico has established a new government agency under SADER, called Food Security Mexico (SEGALMEX), to oversee the Guarantee Price program and to distribute the purchased commodities to poor Mexicans. However, the new agency currently has limited infrastructure to physically transport and store these commodities, so in practice it may need to work with the private sector to accomplish these tasks.

Forward Contract Program

Though not definitively announced yet, the Forward Contract program (originally described in 2008 GAIN Report [MX8075](#)) is expected to continue with essentially the same structure as before. This is a hedging program, which encourages farmers to sign contracts with domestic users of basic grains. It is likely that the supports to growers will be further reduced from the previous 75 percent of the coverage cost (i.e., put or call) to closer to 50 percent. This is due to limited funds and a government-wide effort to reduce expenditures. Mexican industrial corn users complained that in 2018, many farmers did not honor the contracts they signed. It is unclear whether contract enforcement will become more stringent in future cycles.

Target Income Program

Like the Forward Contract program, the Target Income program has not been formally announced to date. However, it is expected to continue under the new administration in some (possibly reduced) form. This program gives farmers a supplementary payment per ton of grains if the price they received is lower than the target price (for further information on the establishment of this program, please see [MX9001](#). In 2018, the target income prices were increased to the levels in the table below (see [MX8028](#) for additional details):

Commodity	Target Price per Metric Ton
Corn	3,960 pesos
Bread wheat	5,010 pesos
Durum wheat	4,556 pesos
Sorghum	3,564 pesos
Rice	4,380 pesos
Oilseeds (soy, safflower, canola, sunflower)	8,400 pesos
Cotton	25,750 pesos

To participate in the Target Income program, farmers be registered in the Forward Contract program. Typically, a limited number of hectares nationwide are authorized for the Target Income program each year.

SORGHUM

Table 3: Mexico, Sorghum Production, Supply, and Demand for MY 2017/18 to MY 2019/20

Sorghum Market Begin Year	2017/2018		2018/2019		2019/2020	
	Oct 2017		Oct 2018		Oct 2019	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Mexico						
Area Harvested	1350	1350	1350	1350	0	1500
Beginning Stocks	172	172	113	113	0	213
Production	4545	4545	4600	4700	0	5000
MY Imports	98	98	500	400	0	400
TY Imports	98	98	500	400	0	400
TY Imp. from U.S.	98	98	0	0	0	0
Total Supply	4815	4815	5213	5213	0	5613
MY Exports	2	2	0	0	0	0
TY Exports	2	1	0	0	0	0
Feed and Residual	4600	4600	4900	4900	0	5050
FSI Consumption	100	100	100	100	0	100
Total Consumption	4700	4700	5000	5000	0	5150
Ending Stocks	113	113	213	213	0	463
Total Distribution	4815	4815	5213	5213	0	5613
Yield	3.3667	3.3667	3.4074	3.4815	0	3.3333

(1000 HA) ,(1000 MT) ,(MT/HA)

Production

The sorghum production estimate for MY 2018/19 (Oct-Sep) has been raised slightly to 4.7 MMT due to more complete figures from SADER. Despite irregular rains last November, which prevented farmers from harvesting the grain in the state of Guanajuato and adversely affected yields during the 2018 spring/summer crop cycle, overall production is up due to the favorable perspective of the 2018/19 fall/winter crop cycle. Private sources stated that overall crop conditions are reportedly very good in Tamaulipas, due to favorable weather conditions and sufficient soil moisture. Therefore, a high quality crop is expected. The expectation is that Tamaulipas could produce approximately 2.0 MMT during the 2018/19 fall/winter crop cycle, which is approximately nine percent higher than the same crop cycle a year earlier. Tamaulipas is the main producing state for this crop cycle, and livestock and poultry producers in several regions such as the “Bajío” (i.e. Jalisco, Michoacan and Queretaro), among others, depend upon it for feed.

For MY 2019/20, production is initially forecast to increase to 5.0 MMT. This increase is due to an expansion in planted area in Mexico’s sorghum-producing regions, and assumes normal weather conditions. Despite this increase, the expected production level is lower than the average obtained some years ago. After a high of 8.5 MMT in MY 2013/14, production decreased substantially. By MY 2014/15, sorghum production declined 26 percent to 6.2 MMT, and continued decreasing until its lowest level to date of 4.5 MMT in MY 2017/18.

Official and private sources agree that several factors have prevented growers from planting sorghum, such as the potential threat of new sugar cane aphid (SCA) outbreaks, the expected reduction in governmental support programs in 2019 (mainly the forward contract program – see Policy section above), and unfavorable farm gate prices.

According to the National Sorghum Product System Committee, the SCA has not only decimated domestic sorghum production, it has also caused severe economic losses and has currently affected 20 percent of sorghum growers, approximately 100,000 farmers.

Official sources noted that sorghum has been a good choice in the past, as it is a versatile plant that can tolerate drought, soil toxicities, a wide range of temperatures, and high altitudes. However, they also recognized that although SCA has been partially controlled or mitigated in several areas (reportedly, the national annual average infestation level has decreased from 14.1 percent in 2015 to 5.1 percent in 2018), the pest is still a serious problem in some states. For example, according to private sources, SCA outbreaks have been reported in states such as Guanajuato, Morelos, Michoacan, and Nayarit, where mild weather conditions favor SCA reproduction. As a result, many growers switched from sorghum to corn, mainly in the state of Guanajuato.

Mexico is the world's fourth largest producer of sorghum, and its production is spread throughout the country with two crops grown annually: a spring/summer crop cycle and a fall/winter cycle. The five states that account for approximately 77 percent of the spring/summer sorghum production are Guanajuato, Michoacán, Tamaulipas, Sinaloa, and Jalisco. The harvest of this crop cycle takes place from October to January. Production during the fall/winter cycle occurs primarily in the states of Tamaulipas and Nayarit, and it is harvested May through July.

Consumption

The forecast for sorghum consumption in MY 2019/20 is expected to increase slightly to 5.15 MMT. Traders and buyers indicate higher sorghum prices compared to alternative grains such as corn incentivize poultry and hog producers to use more of that grain as they increase feed consumption, while sorghum use should stay mostly stable.

Private sources continue to note that the price of sorghum must be approximately 90-92 percent of the price of corn for the poultry industry – the primary industrial consumer of corn and sorghum – to switch to sorghum, due to higher feed conversion rates and coloration benefits of corn. These sources pointed out that corn prices are expected to continue to be affordable in MY2019/20. Consequently, the use of sorghum in feed could increase only marginally, mainly in the poultry sector (i.e. egg production) during the harvest season, when feed prices traditionally are more affordable. The poultry industry continues to be the largest consumer of sorghum in Mexico and uses the crop primarily in the form of mixtures and feed concentrates.

Trade

Total sorghum imports for MY 2019/20 is forecast to remain stable at 400,000 MT, due to the bearish demand from feed millers and poultry and hog producers. Industry sources stated that demand for imported sorghum is likely to remain mostly steady, provided sorghum prices continue to be higher priced relative to corn. The MY 2018/19 import estimate has been lowered to 400,000 MT as the result of increased domestic production.

Traditionally, sorghum has rivaled with corn as one of the leading feed grains imported by Mexico. However, Mexican livestock producers have mainly preferred imported yellow corn over sorghum in

recent years. Moreover, Mexico’s corn imports (mainly from the United States) trended upward since MY2013/14, while Mexico’s sorghum imports have been on the decline. However, sources have reiterated that sorghum, corn, and even wheat will all continue competing with each other to some degree to meet Mexican feed demand.

Stocks

Ending stocks for MY 2019/20 are forecast to increase to 463,000 MT due to the expected increase in domestic production. Meanwhile, the ending stocks estimate for MY 2018/19 remains unchanged.

RICE

Table 4: Mexico, Rice Production, Supply, and Demand for MY 2017/18 to MY 2019/20

Rice, Milled Market Begin Year	2017/2018		2018/2019		2019/2020	
	Oct 2017		Oct 2018		Oct 2019	
Mexico	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	41	41	40	45	0	50
Beginning Stocks	172	172	196	197	0	241
Milled Production	183	184	178	199	0	221
Rough Production	266	268	259	290	0	322
Milling Rate (.9999)	6870	6870	6870	6870	0	6870
MY Imports	803	803	880	815	0	775
TY Imports	850	850	880	815	0	775
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	1158	1159	1254	1211	0	1237
MY Exports	102	102	90	90	0	100
TY Exports	99	99	90	90	0	100
Consumption and Residual	860	860	940	880	0	895
Ending Stocks	196	197	224	241	0	242
Total Distribution	1158	1159	1254	1211	0	1237
Yield (Rough)	6.4878	6.5366	6.475	6.4444	0	6.44

(1000 HA) ,(1000 MT) ,(MT/HA)

Production

Mexican rough rice production is forecast to increase to 322,000 MT in MY 2019/20, due to an expected expansion of planted area. This increase represents an eleven percent increase over the previous marketing year, and translates to 221,000 MT of milled production.

The modest expected growth in planted area is a result of new subsidies, including the guarantee prices for rice (see Governmental Supports section). Though the stated intention of these new programs is self-sufficiency in rice production, experts are uncertain how successful they will be at promoting rice production in Mexico. Limits to the amount of rice that can be supported by guarantee prices (i.e., 100 MT per producer) will at best encourage a few marginal producers to switch to rice, doing little to increase overall production.

Rice production is generally concentrated in the states of Nayarit, Campeche, and Veracruz, with smaller volumes in Michoacán and Morelos. Growers in Morelos and Michoacán in particular have invested in improved crop production technologies (known as the “Brazilian” model). These growers

produce more long grain and niche rice varieties, compared to the “Filipino Miracle” variety used in most states.

Consumption

Rice consumption is expected to continue its relatively steady growth, slightly above population growth. MY 2019/20 consumption is forecast at 895,000 MT, a 1.7 percent increase. Similarly, the estimate for MY 2018/19 has been revised to 880,000 MT based on official estimates and in keeping with a roughly two percent average annual growth rate over the past several years. Overall per capita rice consumption remains low in Mexico compared to other Latin American countries. Price continues to play an important role in rice consumption.

A handful of key companies control the majority of the rice milling industry in Mexico, and by extension, the majority of domestic purchases and trade.

Trade

Rice imports are estimated to have fallen slightly in the past two marketing years, and are expected to decline further in MY 2019/20. This decline is due to an expected increase in domestic rice production, as discussed above.

Mexican exports are expected to continue at similar levels throughout MY 2018/19 and MY 2019/20, based on continued exports to Venezuela. Over the past couple marketing years, Mexico has exported milled, packaged rice in boxes containing a basket of basic food products. Industry members expect this trade to continue over the next marketing year, despite the political instability in Venezuela.

In the past several years, Mexico has provided a unilateral duty-free quota for rice imports from countries with which Mexico does not have a free trade agreement. The quota allows up to 150,000 MT of rice per calendar year, and is currently valid through December 2019 (see [MX8000](#) for additional details). While the previous Mexican administration renewed the quota multiple times, the position of the current government is not clear. Given the new administration’s focus on self-sufficiency, many observers believe it will be less likely to support continued unilateral tariff quotas. Domestic rice producers are strongly against the quotas.

The United States continues to be by far the largest supplier of rice to Mexico. The majority of imported U.S. rice is paddy rice, which is milled in Mexico. However, Mexico has also imported a growing amount of milled rice in recent years. Additionally, Mexico has diversified its supplier mix over the past several years. Most recently in MY 2017/18, Mexico has imported significant volumes of rough rice from Guyana, taking advantage of favorable prices and duty-free under the tariff rate quota. Mexico has also imported some rough rice from Paraguay, and milled rice from Uruguay, Thailand, and Argentina.

Stocks

Stocks estimates have been adjusted upward slightly for MY 2018/19, due primarily to higher domestic production. Stocks are expected to stay relatively stable for MY2019/20. However, as with other grains, Mexico does not keep any official stocks estimates.

For More Information

FAS/Mexico Web Site: We are available at www.mexico-usda.com.mx or visit the FAS headquarters' home page at www.fas.usda.gov for a complete selection of FAS worldwide agricultural reporting.

Report Number	Title of Report	Date Submitted
MX9008	Corn Production Lower than Expected, Rice Higher	2/21/209
MX8047	Rice and Sorghum Production Revised Downward as Lower Sorghum Imports Expected	9/17/2018
MX8024	Lower Wheat and Rice Crops, Average Sorghum Trade Expected	5/25/2018
MX8010	Slight Changes in Production as Grain Imports Continue Upward Trend	3/7/218
MX8002	Corn, rice, and Sorghum Estimates Increased Slightly	1/18/2018
MX7031	Slight Bump in corn Production, Smaller Wheat Harvest	9/14/2017
MX7024	Mexico Expects Strong Corn Crop Due to Favorable Weather	6/15/2017