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## Mexico

### Grain and Feed Update

### Intense Drought Lowers Corn, Sorghum and Wheat Forecasts

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**Report Highlights:**

Post's marketing year (MY) 2011/12 (October/September) estimates for corn and sorghum production have been lowered from USDA/Official estimates due to new information from Government of Mexico (GOM) and industry sources regarding the effects of extremely dry weather conditions. MY 2011/12 (July/June) wheat production is estimated to be lower than the USDA/Official estimate based on lower-than-expected planted area in the 2011 and adverse weather conditions. Mexico is being battered by its worst drought in at least seven decades, which has devastated the rural sector and is expected to continue throughout the year.

**Post:**

Mexico City

**Commodities:**

Corn

Sorghum

Wheat

**Executive Summary:**

Post's marketing year (MY) 2011/12 (October/September) estimates for corn and sorghum production have been lowered from USDA/Official estimates due to new information from Government of Mexico (GOM) and industry contacts regarding the effects of extremely dry weather conditions. MY 2011/12 (July/June) wheat production is estimated to be lower than the USDA/Official estimate based on less planted area in 2011 and adverse weather conditions. Mexico is being battered by its worst drought in seven decades, which has devastated the rural sector and is expected to continue throughout the year. The lack of rainfall has affected almost 70 percent of the country and northern states like Coahuila, San Luis Potosi, Sonora, Tamaulipas and Zacatecas have suffered the most acute water shortages.

**I. Corn****Production**

Post's total corn production estimate for MY 2011/12 (October to September) has been revised downward from USDA/Official estimates to 18.4 MMT, due to more complete data from the Secretariat of Agriculture, Livestock, Rural Development, Fisheries and Food (SAGARPA). Corn output was reduced due to lower-than-expected planted area and adverse weather conditions. Official sources stated that the drought-like conditions during critical phases of the corn crop resulted in worse yield losses in the 2011 spring/summer crop cycle than previously estimated. Consequently, SAGARPA sources estimate a corn output of 14.0 MMT in 2011 spring/summer crop cycle, which is 15.8 percent lower than in 2010. Moreover, in the 2011/12 fall/winter crop cycle, Sinaloa farmers are expected to plant approximately 140,000 hectares less than the same crop cycle a year ago due to the extreme low level of water reservoirs for irrigation purposes (see 2011 GAIN report [X1077](#) "*October Update for Corn, Sorghum, Wheat and Dry Beans*"). Sinaloa's corn production is of special concern as this state accounts for approximately 71 percent of Mexico's fall/winter white corn production.

Production and harvested area estimated for MY 2009/10 have been adjusted slightly downward from USDA/Official estimates based on new statistics recently released by SAGARPA.

According to the National Weather Service, the prolonged drought that has been affected much of the country was caused by two dry winters and a rainy season with less rainfall than expected. This drought has affected much of the agricultural sector. Based on SAGARPA information, a total of 19 states have been affected by the drought. Within this group, five states have been reported as affected by extreme dry conditions: Durango, Coahuila, Chihuahua, San Luis Potosi and Zacatecas. However, other states also have suffered a serious lack of water such as: Hidalgo, Guanajuato, Queretaro and Nuevo Leon. SAGARPA estimates that approximately 1.5 million growers have been affected by drought in these states. In addition, a deep freeze occurred in 2011 (See 2011 GAIN report [MX1012](#) "*Hard Freeze*

*Damages Sinaloa Corn and Produce*”), which wrought havoc on agricultural production and sent federal and state officials into crisis-management mode.

### **Consumption**

Post's total corn consumption estimate for MY 2011/12 has been revised downward from USDA/Official data based on new information from official and private sources. Feed consumption is expected to shift from corn to dried distilled grain with solubles (DDGS) and even wheat, due to lower-than-previously estimated corn production. However, it should be noted that the level of feed and residual consumption is similar to that registered in MY 2010/11. Similarly, Post's FSI consumption estimate for MY 2011/12 has been revised slightly downward from the USDA/Official estimate based, once again, on official and private-sector data. According to the Market Integration National Information System (SNIM) of the Secretariat of Economy (SE), as of January 18, 2012, the average price of tortillas reached 11.84 pesos per kilogram (U.S. \$0.86/kg), up 19.5 percent from 9.90 pesos/kg (U.S. \$0.72/kg) in early 2011. Some private sources have stated that as a result of the shortages, corn hoarding and increasing costs of some inputs (such as gas), tortilla prices are expected to increase even higher later in 2012.

### **Trade**

In comparison with the USDA/Official estimate, Post's import forecast for MY 2011/12 has been increased to 10.5 MMT due to lower-than-previously estimated domestic production. Post's import and export estimates for MY 2010/11 were revised downward and upward, respectively, in order to reflect final official data from SAGARPA and the General Customs Directorate of the Secretariat of Finance (SHCP).

### **Stocks**

Post's ending stocks estimate for MY2011/12 was revised downward to 1.24 MMT from USDA/Official estimate, due to lower-than-previously estimated domestic production. Similarly, Post's MY2010/11 ending stocks forecast was revised lower to 1.26 MMT due to lower-than-previously estimated imports and domestic production.

## **II. Sorghum**

### **Production**

Total sorghum production and harvested area estimates for MY 2011/12 have been revised downward from USDA/ Official estimate based on updated official data from SAGARPA. Sorghum production in the 2011 spring/summer crop has registered less-than-ideal seasonal conditions due to the drought-like conditions during critical phases of the sorghum crop development in the main producing states such as Guanajuato and Tamaulipas. Official sources stated that the adverse impact was more severe than initially estimated. Similarly, the production estimate for MY 2010/11 has been revised slightly upward reflecting preliminary final official figures from SAGARPA.

### **Trade**

Mexico's total sorghum import estimate for MY 2011/12 has been revised slightly upward to 1.7 MMT, reflecting the impact of the lower-than-previously estimated domestic production. This is based on information from trade sources; analysis of the sorghum crop in the United States; as well as the rate of imports entering the country. It should be noted that traditionally, Mexico imports practically 100

percent of its sorghum necessities from the United States. Meanwhile, Post's sorghum import estimate for MY2009/10 has been revised downward from USDA/Official estimate to 2.45 MMT based on official data from SAGARPA and the General Customs Directorate of the Finance Secretariat (SHCP). Import estimate for MY 2010/11 has remained unchanged.

### **Consumption**

The total consumption estimate for MY 2011/12 has been revised downward from USDA/Official estimate based on information from industry contacts. These sources point out that demand will drop as a result of growing sorghum prices due to lower-than-previously estimated domestic production. As a result, profit margins in Mexico's pork and poultry meat sectors will be under considerable pressure with rising feed prices.

### **Stocks**

Post's ending stock estimate for MY 2011/12 is lower than the USDA/Official estimate (201,000 MT) as a result of lower-than-expected domestic production. Also, Post's ending stock for MY 2009/10 was revised downward from USDA/Official estimate, due to lower-than-previously estimated imports. It was reflected in the carry over for the MY 2010/11 which was also adjusted downward.

## **III. Wheat**

### **Production**

Post's MY 2011/12 (July/June) wheat harvested area and production forecasts have been revised downward from USDA/Official forecasts based on updated information from official GOM sources, which reflects lower-than-previously estimated planted area. SAGARPA informed that the 2011 Spring/Summer harvest in the "Bajio" region (encompassed by Guanajuato, Michoacan and Jalisco) was lower-than-previously expected due the extremely dry weather conditions. For example, as of November 30, 2011, the wheat area damaged by the dry weather in the "Bajio" region was approximately 15,325 hectares - significantly higher than the 7,671 hectares registered in the same crop cycle of 2010. In addition, SAGARPA contacts indicated the 2011 Spring/Summer crop was also adversely affected due to the freeze of September 2011 - mainly in the state of Tlaxcala. They pointed out that the 2011 freeze damaged the wheat crop during the filling stage of the grain, which also negatively affected yields.

### **Consumption**

Post's MY 2011/12 wheat consumption estimate for feed and residuals has been revised upward from USDA/Official data to 950,000 MT. The increased consumption estimate takes into account information from industry contacts that durum wheat exports will be lower-than-previously forecast because of strong demand from the domestic livestock sector for wheat feed. Sources stated that due to lower domestic corn and sorghum production, the GOM is expected to promote the diversion of durum wheat from export channels to domestic feed milling and to pork producers. Reportedly, Sonora pork producers are increasing purchases of durum wheat over corn for feed.

### **Trade**

Post's import estimate for MY 2011/12 has been increased to 4.1 MMT from the USDA/Official estimate because of lower-than-previously estimated domestic production. Post's wheat import estimate

for MY 2010/11 has also decreased slightly (by 5,000 MT) from the USDA/Official estimate. These figures are based on final official data from SAGARPA and the General Customs Directorate of the Finance Secretariat (SHCP). In addition, the MY 2011/12 export estimate has been revised downward, due to the stronger domestic demand for wheat as animal feed.

## Stocks

Post's ending stocks estimate for MY 2010/11 has been revised slightly downward to 435,000 MT, due to lower-than-previously estimated import volumes. Also, Post's ending stocks estimate for MY 2011/12 was revised upward as result of higher-than-originally forecast import volumes.

## Production, Supply and Demand Data Statistics:

**Table 1. Mexico: Corn Production, Supply and Demand for MY 2009/10 to 2011/12**

Corn Mexico	2009/2010		2010/2011		2011/2012	
	Market Year Begin: Oct 2009		Market Year Begin: Oct 2010		Market Year Begin: Oct 2011	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	6,280	6,280	7,000	6,995	6,650	5,900
Beginning Stocks	3,559	3,559	1,389	1,389	1,719	1,269
Production	20,374	20,374	21,130	21,000	20,500	18,400
MY Imports	8,298	8,298	8,000	7,713	9,800	10,500
TY Imports	8,298	8,298	8,000	7,713	9,800	10,500
TY Imp. from U.S.	8,251	251	7,493	7,093	0	9,650
Total Supply	32,231	32,231	30,519	30,102	32,019	30,169
MY Exports	642	642	100	133	100	25
TY Exports	642	642	100	133	100	25
Feed and Residual	14,200	14,200	12,900	12,900	14,100	12,900
FSI Consumption	16,000	16,000	15,800	15,800	16,200	16,000
Total Consumption	30,200	30,200	28,700	28,700	30,300	28,900
Ending Stocks	1,389	1,389	1,719	1,269	1,619	1,244
Total Distribution	32,231	32,231	30,519	30,102	32,019	30,169

1000 HA, 1000 MT, MT/HA

**Table 2. Mexico: Sorghum Production, Supply and Demand for MY 2009/10 to 2011/12**

Sorghum Mexico	2009/2010		2010/2011		2011/2012	
	Market Year Begin: Oct 2009		Market Year Begin: Oct 2010		Market Year Begin: Oct 2011	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	1,616	1,616	1,916	1,916	1,700	1,635
Beginning Stocks	1,336	1,336	413	337	743	676
Production	6,250	6,250	7,350	7,359	6,600	6,125
MY Imports	2,527	2,451	2,380	2,380	1,600	1,700
TY Imports	2,527	2,451	2,380	2,380	1,600	1,700
TY Imp. from U.S.	2,528	2,451	2,380	2,380	0	1,700
Total Supply	10,113	10,037	10,143	10,076	8,943	8,501
MY Exports	0	0	0	0	0	0
TY Exports	0	0	0	0	0	0
Feed and Residual	9,600	9,600	9,300	9,300	8,550	8,200
FSI Consumption	100	100	100	100	100	100
Total Consumption	9,700	9,700	9,400	9,400	8,650	8,300
Ending Stocks	413	337	743	676	293	201
Total Distribution	10,113	10,037	10,143	10,076	8,943	8,501

1000 HA, 1000 MT, MT/HA						

**Table 3. Mexico: Wheat Production, Supply and Demand for MY 2009/10 to 2011/12**

Wheat Mexico	2009/2010		2010/2011		2011/2012	
	Market Year Begin: Jul 2009		Market Year Begin: Jul 2010		Market Year Begin: Jul 2011	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	828	828	681	681	705	670
Beginning Stocks	315	315	520	520	440	435
Production	4,148	4,148	3,679	3,679	3,775	3,700
MY Imports	3,196	3,196	3,462	3,457	4,000	4,100
TY Imports	3,196	3,196	3,462	3,457	4,000	4,100
TY Imp. from U.S.	2,152	2,152	2,939	2,849	0	3,350
Total Supply	7,659	7,659	7,661	7,656	8,215	8,235
MY Exports	839	839	821	821	800	600
TY Exports	839	839	821	821	800	600
Feed and Residual	500	500	500	500	750	950
FSI Consumption	5,800	5,800	5,900	5,900	6,200	6,200
Total Consumption	6,300	6,300	6,400	6,400	6,950	7,150
Ending Stocks	520	520	440	435	465	485
Total Distribution	7,659	7,659	7,661	7,656	8,215	8,235
1000 HA, 1000 MT, MT/HA						

**For More Information:** FAS/Mexico Web Site: We are available at [www.mexico-usda.com](http://www.mexico-usda.com) or visit the FAS headquarters' home page at [www.fas.usda.gov](http://www.fas.usda.gov) for a complete selection of FAS worldwide agricultural reporting.

Report Number	Subject	Date Submitted
<a href="#">MX2003</a>	Mexico Looks to Increase Imports of Dry Beans	1/18/2012
<a href="#">MX1101</a>	December Grain and Feed Update - Bean Production Forecast Lower	12/22/11
<a href="#">MX1095</a>	Rice Production Forecast Lower	12/12/11
<a href="#">MX1059</a>	Grain and Feed July Update	7/25/2011
<a href="#">MX1048</a>	Grain and Feed June Update	6/20/2011
<a href="#">MX1043</a>	Grain and Feed May Update -- Sorghum Situation	5/25/2011
<a href="#">MX1033</a>	Grain and Feed April Update	4/29/2011
<a href="#">MX1017</a>	2011 Grain and Feed Annual	3/14/2011
<a href="#">MX1012</a>	Hard Freeze Damages Sinaloa Corn and Produce	2/11/2011

Useful Mexican Web Sites: Mexico's equivalent to the U.S. Department of Agriculture (SAGARPA) can be found at [www.sagarpa.gob.mx](http://www.sagarpa.gob.mx), equivalent to the U.S. Department of Commerce (SE) can be found at [www.economia.gob.mx](http://www.economia.gob.mx) and equivalent to the U.S. Food and Drug Administration (SALUD) can be found at [www.salud.gob.mx](http://www.salud.gob.mx). These web sites are mentioned for the readers' convenience but USDA does NOT in any way endorse, guarantee the accuracy of, or necessarily concur with, the information contained on the mentioned sites.

