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Mexico

Oilseeds and Products Annual

Economic Uncertainty to Drag on Oilseed Sector Growth

Approved By:

Melinda Sallyards

Prepared By:

Benjamin Juarez, Tim Harrison, Lourdes Castellanos, and Jose Castellanos

Report Highlights:

Post expects slower growth in the vegetable oil and oil meal sectors in MY 2018/19, given potential declines in consumer purchasing power and general economic uncertainty. Mexican oilseed crushers are expected to continue increasing oil production to keep up with population growth and meal demand from the growing livestock sector, but there should be no expansion in production capacity. Mexico remains very dependent on imported oilseeds and oilseed products, primarily soy from the United States and rapeseed (canola) from Canada.

Commodities:

Meal, Soybean

Meal, Sunflowerseed

Meal, Rapeseed

Oil, Rapeseed

Oil, Soybean

Oil, Sunflowerseed

Oilseed, Peanut

Oilseed, Rapeseed

Oilseed, Soybean

Oilseed, Sunflowerseed

EXECUTIVE SUMMARY

The uncertain outlook for the Mexican economy in 2018, which negatively impacts consumer income, and moderate demand from the livestock sector, are the main factors contributing to slower expected growth in oilseed products. Several private analysts stated that uncertainty surrounding both the 2018 Mexican presidential elections and ongoing North American Free Trade Agreement (NAFTA) negotiations is likely to inhibit economic growth this year. They believe that 2018 will be a difficult year for Mexico, and in fact this could be a defining moment for the country's longer-term outlook. Mexico's economy is heavily dependent on the United States, which purchases approximately 78 percent of Mexico's total agricultural exports, while 65 percent of Mexico's total agricultural imports originate in the United States.

Increasing inflation is also having a negative impact on consumer purchasing power, driving down household consumption growth. According to the National Institute of Statistics and Geography (INEGI), Mexico's consumer inflation rate reached an annualized rate of 6.77 percent at the end of 2017, which is the highest since 2001. Based on these factors, Mexico's Central Bank expects the economy grow between 2 and 3 percent in 2018. However, the World Bank estimates the economy will grow at 2.1 percent, at most.

As a result of these factors, vegetable oil industry specialists are forecasting a demand increase between one and three percent for oilseed products, compared to an approximate seven percent increase the previous year. Consumer demand for soybean oil and other vegetable oils is also expected to increase slightly (approximately 1.5 percent) in marketing year (MY) 2018/19, driven essentially by the population growth. In this environment, the Mexican oilseed crushing industry's expansion trend is expected to be placed on hold in 2018.

Consumer demand for meat is expected to increase marginally, which could drive a slight expansion of feed use in the hog, poultry, dairy and beef industries. For example, the Mexican feed millers association expects production in the livestock sector to increase between three and 3.5 percent in CY 2018. The poultry sector continues to be the major consumer of oilseed meals and is expected to grow by approximately three percent in CY 2018 (see 2018 GAIN Report [MX 8007](#)). Other important end-users of oil meals include the swine and dairy industries. In the case of the swine sector, which is the second largest oil meal consumer in Mexico, it is expected that pork meat production will grow also by three percent in CY 2018 (see 2018 GAIN Report [MX 8011](#)).

Mexican oilseed (primarily soybean) production is expected to increase slightly in marketing year (MY) 2018/19, as planting area expands slightly. Slightly higher planting area is the main reason for this increase, as well as continued governmental support to cultivate oilseeds. However, several private sources have agreed that the oilseed production continues largely due to the government subsidy, and would decline without continued assistance. This is seen in many of the smaller oilseed products, which have stagnated in the absence of specific government or private sector assistance programs. It should be noted that domestic soybean production continues to represent only about ten percent of total soybean consumption, making Mexico's crushing industry, food manufacturers, and the livestock sector very dependant on imported oilseed products.

OILSEEDS: PRODUCTION, SUPPLY AND DEMAND STATISTICS

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

Market Begin Year Mexico	Total Oilseed					
	2016		2017		2018	
	USDA Official	New post	USDA Official	New post	USDA Official	New post
Area Planted	337	354	327	331	0	337
Area Harvested	350	351	333	323	0	332
Beginning Stocks	196	196	193	207	0	240
Production	623	630	595	543	0	599
MY Imports	5,904	5,911	6,475	6,475	0	6,622
Total Supply	6,723	6,737	7,263	7,225	0	7,461
MY Exports	26	26	30	30	0	30
Crush	6,184	6,184	6,629	6,629	0	6,804
Food Use Dom. Cons.	282	282	288	288	0	294
Feed Waste Dom. Cons.	38	38	38	38	0	38
Total Dom. Cons.	6,504	6,504	6,955	6,955	0	7,136
Ending Stocks	193	207	278	240	0	295
Total Distribution	6,723	6,737	7,263	7,225	0	7,461
1000 HA, 1000 MT						

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

Oilseed, Soybean Market Begin Year Mexico	2016/2017		2017/2018		2018/2019	
	Sep 2016		Sep 2017		Sep 2018	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	280	284	270	266	0	270
Area Harvested	278	282	260	258	0	265
Beginning Stocks	146	146	146	158	0	138
Production	509	521	480	435	0	490
MY Imports	4126	4126	4250	4300	0	4420
Total Supply	4781	4793	4876	4893	0	5048
MY Exports	0	0	0	0	0	0
Crush	4600	4600	4720	4720	0	4860
Food Use Dom. Cons.	0	0	0	0	0	0
Feed Waste Dom. Cons.	35	35	35	35	0	35
Total Dom. Cons.	4635	4635	4755	4755	0	4895
Ending Stocks	146	158	121	138	0	153
Total Distribution	4781	4793	4876	4893	0	5048
Yield	1.8309	1.8475	1.8462	1.686	0	1.8491

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

Table 3: Mexico: Production, Supply, and Distribution (PSD) for Rapeseed

Oilseed, Rapeseed Market Begin Year Mexico	2016/2017		2017/2018		2018/2019	
	Oct 2016		Oct 2017		Oct 2018	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	0	4	0	2	0	2
Area Harvested	6	4	6	2	0	2
Beginning Stocks	20	20	18	16	0	68
Production	5	3	5	2	0	2
MY Imports	1543	1543	1925	1925	0	1950
Total Supply	1568	1566	1948	1943	0	2020
MY Exports	0	0	0	0	0	0
Crush	1550	1550	1875	1875	0	1910
Food Use Dom. Cons.	0	0	0	0	0	0
Feed Waste Dom. Cons.	0	0	0	0	0	0
Total Dom. Cons.	1550	1550	1875	1875	0	1910
Ending Stocks	18	16	73	68	0	110
Total Distribution	1568	1566	1948	1943	0	2020
Yield	0.8333	0.75	0.8333	1	0	1

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

Table 4: Mexico: Production, Supply, and Distribution (PSD) for Sunflower Seed

Oilseed, Sunflowerseed Market Begin Year Mexico	2016/2017		2017/2018		2018/2019	
	Oct 2016		Oct 2017		Oct 2018	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	0	9	0	6	0	8
Area Harvested	10	9	10	6	0	8
Beginning Stocks	3	3	3	7	0	3
Production	13	10	13	9	0	10
MY Imports	20	27	20	20	0	22
Total Supply	36	40	36	36	0	35
MY Exports	0	0	0	0	0	0
Crush	30	30	30	30	0	30
Food Use Dom. Cons.	0	0	0	0	0	0
Feed Waste Dom. Cons.	3	3	3	3	0	3
Total Dom. Cons.	33	33	33	33	0	33
Ending Stocks	3	7	3	3	0	2
Total Distribution	36	40	36	36	0	35
Yield	1.3	1.1111	1.3	1.5	0	1.25

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

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

Oilseed, Peanut Market Begin Year Mexico	2016/2017		2017/2018		2018/2019	
	Sep 2016		Sep 2017		Sep 2018	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	57	57	57	57	0	57
Area Harvested	56	56	57	57	0	57
Beginning Stocks	27	27	26	26	0	31
Production	96	96	97	97	0	97
MY Imports	215	215	230	230	0	230
Total Supply	338	338	353	353	0	358
MY Exports	26	26	30	30	0	30
Crush	4	4	4	4	0	4
Food Use Dom. Cons.	282	282	288	288	0	294
Feed Waste Dom. Cons.	0	0	0	0	0	0
Total Dom. Cons.	286	286	292	292	0	298
Ending Stocks	26	26	31	31	0	30
Total Distribution	338	338	353	353	0	358
Yield	1.7143	1.7143	1.7018	1.7018	0	1.7018

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

OILSEED PRODUCTION

Total Mexican oilseeds production and harvested area estimates in marketing year (MY) 2017/18 were revised downward, reflecting preliminary final data from SAGARPA. SAGARPA continues to publish official data for sunflower seed and rapeseed (canola) and peanuts just once a year. However, overall oilseed production in Mexico is expected to increase to 599,000 MT in MY 2018/19, due largely to higher soybean production. Despite the expected increase in soybean production and the slight increase in sunflower production, it will not achieve the level reached two years ago in MY 2016/17, which has a revised production estimate of 630,000 MT. Industry sources argued that the reduction of the supports granted by the Government of Mexico (GOM) adversely impacted both the planting decisions of oilseeds growers and the production results (for example, due to lower investment in inputs) in MY 2017/18 (see Policy Section).

For MY 2018/19, soybean harvested area is forecast at 265,000 hectares (ha), a slight increase of 2.7 percent from the revised MY 2017/18 estimate. Production is forecast at 490,000 MT, assuming normal weather conditions and that the GOM continues its oilseed support program (see Policy section). Despite this increase, soybean production is still expected to represent approximately ten percent of all Mexican soybean consumption in MY 2018/19, a similar percentage to the prior year.

For MY 2016/17 and MY 2017/18, the soybean production estimates have been revised upward and downward, respectively, based on more complete data from SAGARPA as of February 28, 2018.

According to private industry sources, there is limited financing and support from two of the main crushing and vegetable oil manufacturing companies (Ragasa and Proteinas y Oleicos) in Tamaulipas and Yucatan. However, in the rest of the main producing states (i.e. Campeche, San Luis Potosi, and Sonora), it is unlikely for planted area to increase significantly, as local farmers are more familiar with the production practices for traditional alternative crops, such as corn or sorghum. Moreover, soybean production takes place primarily in non-irrigated areas, which are subject to unpredictable weather conditions.

Regarding Ragasa's financing, for example, at the end of CY 2017 the company reportedly financed to 85 soybean growers with an amount of approximately 2,000 Mexican pesos per hectare (around 107 USD/ha) for a planted area of 2,746 ha in the states of Tamaulipas, Coahuila, and Nuevo León. The company was expecting a yield of 2 to 2.5 MT/ha, on average, in the area supported.

Another relevant factor that is preventing a boost in soybean production in MY 2018/19 is the lack of genetically engineered (GE) soybean approvals due to legal disputes. On September 15, 2017, the National Service for Health, Safety, and Agro-Food Quality (SENASICA) revoked a permit authorized in 2012 to one leading biotech developer, for commercial plantings of GE soybeans resistant to glyphosate in seven Mexican states. The revocation came after the GE soybean was detected during the 2016 planting cycle in areas where the planting permit had been suspended, in addition to the discovery of another non-authorized GE soybean. According to SENASICA, the permit was revoked for not complying with biosecurity controls and failures in environmental risk management. The developer reportedly appealed the decision.

The forecast for MY2018/19 rapeseed production remains at 2,000 MT, the same level as the revised MY2017/18 production estimate. Post's total rapeseed production estimate and planted and harvested areas for MY 2016/17 and 2017/18 have been revised downward from the previous estimates, reflecting the latest official data from SAGARPA. Private and official sources have reiterated 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, along with the reduction and/or cancelation of governmental supports at state and federal level.

Peanut production in MY 2018/19 is forecast at 97,000 MT, similar to the level reached in the previous marketing year. Even though official sources predict an expansion of production area for MY 2018/19, private industry sources indicate that production should remain constant or may even decrease for a variety of reasons. Among other factors discouraging increased planted area, poor weather conditions (cold winters and droughts during summer) and lack of government support for peanut growers have

made it difficult for Mexican producers to be competitive. As peanut consumption in Mexico is low (in comparison to other products), local producers have been switching to more profitable crops during the last couple years.

Companies that purchase peanuts note that imported peanuts generally have a better price and quality, including greater uniformity of size. While in previous years some peanut users in Mexico had provided some forms of assistance to local peanut producers to improve quality and sign contracts before the harvest, industry sources suggest that there are no current programs of this kind. Given the low profitability, limited access to technology, and lack of financing and other programs for peanuts, growers appear unlikely to increase production.

MY 2018/19 sunflower seed production area is expected to expand to approximately 8,000 ha, reversing a decrease in the previous year. As with other oilseed commodities, the lack of specific programs to provide technical or financial assistance to growers continues to limit interest in expanding sunflower production. While one international seed company was previously providing some support to sunflower producers, this program no longer appears to be active. Therefore, the harvested area estimate for MY 2017/18 has been revised downward, based on official data. This reduction was particularly steep, as producers in some states with low yields (such as Durango) cancelled plans to harvest sunflower in the absence of government supports. Meanwhile, other states, such as Zacatecas, have been increasing production, leading to the expected rebound of harvested area in MY 2018/19. The state of Guanajuato has a program to encourage farmers to plant alternative crops instead of sorghum (see 2018 GAIN Report [MX8010](#)), which has also increased sunflower area in that state. MY 16/17 harvested area also has been revised downward slightly based on official statistics.

Total sunflower seed production for MY 2018/19 is estimated at 10,000 MT, which is fairly consistent with the estimates for previous marketing years. Production was revised downward for MY2016/17, decreasing from 13,000MT to 10,000 MT based on official data. Post's estimate for MY 2017/18 was decreased from 13,000 MT to 9,000 MT, also based on official figures.

Additional factors that are preventing an increase in oilseed production in general in Mexico are covered extensively in a SAGARPA [Diagnostic Report](#). It is noted one of the main problems facing Mexican agricultural sector is its low productivity. SAGARPA cites several causes that explain low productivity, among them:

- Approximately 80 percent of growers have landholdings smaller than five hectares, with rain-fed crops, which affects their level of production and yields.
- Regarding the profile individual producers, based on the most recent available information (2014), 58 percent producers had completed primary education, 14 percent had secondary education and 19 percent had no education. Thirty-six percent of producers are between 46 and 60 years of age, and 29 percent are between 61 and 75.
- The negative effects of climate change and the deterioration of resources (water and soil) adversely affect crop production and yields.
- Minimal incorporation of technologies and innovations at the farm level, including low availability and out-of-date agricultural machinery.

For additional information on these factors, please see 2018 GAIN Report [MX8010](#).

OILSEED CONSUMPTION

Total consumption of oilseed products is forecast to increase in MY 2018/19, as demand in Mexico's livestock sector remains relatively strong, along with consistent population growth. The continued expansion of the livestock sector has strengthened consumption of oilseed products, albeit at a slower pace compared to the the previous year. Total oilseed consumption is expected to reach a record 7.1 MMT, an increase of 2.6 percent from a year earlier. In comparison, in MY 2017/18 total oilseed consumption increased approximately seven percent. Private industry sources pointed out the main factor driving Mexico's sourcing decisions for oilseeds and oil meals continue to be price and the availability of credit.

Industry sources expect that soybean demand in MY 2018/19 will increase approximately 3.9 percent above the estimate for MY 2017/18, as result of population growth and the relatively strong feed demand, mainly from the poultry and pork sub sectors. Consequently, the Mexican crushing industry will continue to look for imported beans from the United States or South America. The Mexican crushing industry continues to be dominated by a few large companies (Proteinas y Oleicos, Agydsa, Ragasa, and Cargill, among others), which have expanded their capacity in the last few years and have gained market share. Industry sources noted that crushing margins are expected to increase slightly, mainly in soybeans, as the more efficient crushers control a larger part of the market.

MY 2018/19 rapeseed consumption is forecast to increase slightly, reflecting the continued growth in the domestic demand for rapeseed/canola oil consistent with population growth.

For MY 2018/19, total domestic sunflower seed consumption is forecast to hover around 33,000 MT, including approximately 30,000 MT for crushing. In recent years, sunflower seeds have seen a steady increase in consumption in Mexico. They have gone from predominantly being seen as bird feed to a healthy alternative snack, in a country where, according to a 2017 report from the OECD, 33 percent of total population is considered obese, while 39.2 percent is considered overweight.

According to private sources, approximately 90 percent of sunflower seed consumption is by the food processing sector, where sunflower seeds are used for producing oil, flour, snacks, and baked goods. Producers are seeking new formulas to increase the nutritional values of their products while keeping sugar, sodium, and trans-fats content to a minimum. While private sources note that retail consumption only accounted for 7.5 percent of total domestic sunflower seed consumption in 2016, this segment is expected to be one of the fastest growth areas for sunflower seeds. As noted in the "Trade" section below, a significant percentage of U.S. exports to Mexico are designated as being intended for human consumption. However, there are no official Mexican statistics on human (non-oil) consumption of sunflower seeds, making it difficult to estimate the size of this market. The majority of sunflower seeds are believed to be used for crushing, with some small volumes each year used for pet feed.

Peanut consumption in Mexico is oriented to the HRI (Hotels, Restaurants and Institutions) and Retail sector, and peanuts are not used significantly for oil and meal. MY 2018/19 peanut consumption is forecast to increase around two percent. According to trade sources, the snacks market in Mexico will keep a two digit growth in sales during MY 2018/19 (this estimate includes all categories like salty, savory snacks, ice creams, packaged baked goods and trail mixes). Growing awareness of health issues related to poor diet, demand for healthier (high nutritional value) affordable options, as well as new

brands, presentations, and product developments have translated into rising sales for peanuts as a convenient snack purchase during the day for the Mexican population.

Peanut demand grows each year, as does packaging diversification, going from “retail presentations” of 100 grams to one kilogram of processed peanuts (salty, spicy, roasted, covered, and sugar-coated), to the “HRI presentations” of one-pound bags to ten-kilogram sacks of raw/shelled peanuts (for baking and cooking). Some retail channels (specialty stores and open markets) offer peanuts in loose (bulk) format.

OILSEED TRADE

As a result of the relatively positive outlook of the livestock sector, mainly the poultry and hog sub-sectors, and the population growth rate, overall oilseed imports are expected to increase approximately 2.3 percent in MY 2018/19. Despite Mexico’s attempts to diversify the origins of its oilseed imports, private sources stated that the United States, along with Canada, will continue to be the main suppliers of oilseeds to the Mexican market. However, since the oilseed imports decisions continue to be based on price and credit availability, some Mexican importers (crushers and vegetable oil refiners) have been importing from other origins as well. One major oilseed crusher and oil refining company, for example, noted that during certain periods of the year (i.e., March-June) soybean imports from Brazil become relatively more price affordable. In general, thanks to geographic proximity and lower freight costs, U.S. suppliers should remain price-competitive.

Soybeans will continue to be the main oilseed to be imported in MY 2018/19, and are expected to represent approximately 67 percent of total Mexican oilseed imports. This market share is similar to the previous year. For MY 2018/19, Mexico's soybean imports are expected to increase approximately 2.8 percent, which reflects the dynamic performance of the poultry and hog sectors. The United States is by far the largest supplier of soybeans to Mexico.

Meanwhile, Canada has continued to be the primary supplier of canola (which is counted in the rapeseed PS&D) to the Mexican market. Canola imports are forecast to increase slightly in MY 2018/19, assuming that favorable international pricing continues. Sources noted that canola imports were up significantly in MY 2017/18 due to attractive pricing.

Imports of sunflower seed are expected to increase by 2,000 MT for MY 2018/19, to a total of 22,000 MT. The total import figures for MY2016/17 have been adjusted upward to 27,000 based on official data. The Post forecast for MY 2017/18 is 20,000 MT, based on preliminary statistics. U.S. export data and Mexican import data for sunflower seeds differ greatly both in volume and in intended use. While U.S. trade data suggest that a majority of U.S. sunflower seed exports to Mexico are for human consumption (followed by oil use), Mexican import data does not specify the intended end use. According to U.S. industry sources, in CY 2004, 74 percent of U.S. sunflower seed exports to Mexico were destined for bird feed, while 14 percent were in-shell and 12 percent in kernels. In comparison, in CY 2017 U.S. exports to Mexico were comprised of only 20 percent bird feed, while 67 percent were in-shell and eight percent kernels.

According to an oilseeds [report](#) published by SAGARPA in 2016 detailing a national production plan for 2017-2030, Mexico seeks to expand sunflower trade with countries like Bulgaria, Belgium, Spain,

Romania France, and the Netherlands in order to take advantage of Mexico's free trade agreement with the European Union, which is currently in the final stages of renegotiation. However, as mentioned previously, there are no government programs in place to encourage sunflower production or these types of exports.

For MY2018/19, peanut imports are forecast to remain unchanged at 230,000 MT. Despite Mexico's peanut imports reported a seven percent growth in MY2007/18, industry sources do not expected an increase in the upcoming marketing year due to the strengthening of U.S. dollar against Mexican peso. The United States kept its first place position as Mexico's main supplier, sending over 50 percent of total imports, followed by Nicaragua and China.

Seasonality has a direct impact on the peanuts market as they are supplied at different seasons. March to April, Nicaraguan peanuts are available while from June to September U.S. peanuts are available and cheaper. Also, during Christmas season the demand for nuts (including peanuts) and dried fruits increases producing an inflationary effect on prices.

OIL MEALS: PRODUCTION, SUPPLY AND DEMAND STATISTICS

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

Market Begin Year Mexico	Total Oilmeals					
	2016		2017		2018	
	USDA Official	New post	USDA Official	New post	USDA Official	New post
Crush	6,180	6,180	6,607	6,625	0	6,800
Beginning Stocks	161	161	33	33	0	79
Production	4,538	4,538	4,823	4,823	0	4,954
MY Imports	2,045	2,045	2,180	2,180	0	2,220
Total Supply	6,744	6,744	7,036	7,036	0	7,253
MY Exports	13	13	14	14	0	14
Industrial Dom. Cons.	0	0	0	0	0	0
Food Use Dom. Cons.	50	50	50	50	0	50
Feed Waste Dom. Cons.	6,648	6,648	6,893	6,893	0	7,103
Total Dom. Cons.	6,698	6,698	6,943	6,943	0	7,153
Ending Stocks	33	33	79	79	0	86
Total Distribution	6,744	6,744	7,036	7,036	0	7,253

1000 MT, PERCENT

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

Meal, Soybean Market Begin Year Mexico	2016/2017		2017/2018		2018/2019	
	Sep 2016		Sep 2017		Sep 2018	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Crush	4600	4600	4720	4720	0	4860
Extr. Rate, 999.9999	0.7902	0.7902	0.7903	0.7903	0	0.7903
Beginning Stocks	143	143	16	16	0	32
Production	3635	3635	3730	3730	0	3841
MY Imports	1991	1991	2150	2150	0	2200
Total Supply	5769	5769	5896	5896	0	6073
MY Exports	13	13	14	14	0	14
Industrial Dom. Cons.	0	0	0	0	0	0
Food Use Dom. Cons.	50	50	50	50	0	50
Feed Waste Dom. Cons.	5690	5690	5800	5800	0	5980
Total Dom. Cons.	5740	5740	5850	5850	0	6030
Ending Stocks	16	16	32	32	0	29
Total Distribution	5769	5769	5896	5896	0	6073

(1000 MT) ,(PERCENT)

Table 8: Mexico: Production, Supply, and Distribution (PSD) for Rapeseed Meal

Meal, Rapeseed Market Begin Year Mexico	2016/2017		2017/2018		2018/2019	
	Oct 2016		Oct 2017		Oct 2018	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Crush	1550	1550	1875	1875	0	1910
Extr. Rate, 999.9999	0.5742	0.5742	0.576	0.576	0	0.5759
Beginning Stocks	18	18	17	17	0	47
Production	890	890	1080	1080	0	1100
MY Imports	54	54	30	30	0	20
Total Supply	962	962	1127	1127	0	1167
MY Exports	0	0	0	0	0	0
Industrial Dom. Cons.	0	0	0	0	0	0
Food Use Dom. Cons.	0	0	0	0	0	0
Feed Waste Dom. Cons.	945	945	1080	1080	0	1110
Total Dom. Cons.	945	945	1080	1080	0	1110
Ending Stocks	17	17	47	47	0	57
Total Distribution	962	962	1127	1127	0	1167

(1000 MT) ,(PERCENT)

Table 9: Mexico: Production, Supply, and Distribution (PSD) for Sunflower Seed Meal

Meal, Sunflowerseed Market Begin Year Mexico	2016/2017		2017/2018		2018/2019	
	Oct 2016		Oct 2017		Oct 2018	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Crush	30	30	30	30	0	30
Extr. Rate, 999.9999	0.4333	0.4333	0.4333	0.4333	0	0.4333
Beginning Stocks	0	0	0	0	0	0
Production	13	13	13	13	0	13
MY Imports	0	0	0	0	0	0
Total Supply	13	13	13	13	0	13
MY Exports	0	0	0	0	0	0
Industrial Dom. Cons.	0	0	0	0	0	0
Food Use Dom. Cons.	0	0	0	0	0	0
Feed Waste Dom. Cons.	13	13	13	13	0	13
Total Dom. Cons.	13	13	13	13	0	13
Ending Stocks	0	0	0	0	0	0
Total Distribution	13	13	13	13	0	13

(1000 MT) ,(PERCENT)

OIL MEAL PRODUCTION

Total oil meal production is forecast to reach 4.95 million metric tons (MMT) in MY 2018/19, an increase of approximately 2.7 percent compared to a year earlier, due to slightly greater oilseed imports and moderate oil meal demand from the livestock sector. This growth is slower than the previous year (which saw a 6.3 percent increase), reflecting the uncertainty that prevails in the Mexican economy as a result of the current NAFTA renegotiation and the upcoming presidential elections on July 1, 2018.

The expanded soybean crush forecast for MY 2018/19 is a result of slightly increased demand for vegetable oils, as well as attractive international soybean prices. In addition, the continued growth of the livestock sector, and poultry in particular, incentivize soy crushing. Similar to past years, higher-protein soybean meal accounts for approximately 77.5 percent of total Mexican oil meal production. Oil meal made from imported rapeseed and canola seed, accounts for approximately 22.2 percent of total meal production, consistent with MY 2017/18.

It should be noted that the upward trend in meal production has continued over the last five years, which also reflects increased domestic crush capacity. This capacity continues to be highly concentrated in few leading companies, such as Ragasa, Agydsa, and Proteinas y Oleicos, 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 stated that this trend of expansion and modernization of crush capacity will slow down in MY 2018/19 due to the economic uncertainty in Mexico, and the consequent relatively bearish demand for oil meals and vegetable oils.

Industry sources have stated that demand for soybean meal in Mexico has grown faster than for all vegetables oils, including soybean oil. These sources indicated, for example, that soybean meal demand increased by 32 percent between MY 2013/14 and MY 2017/18, while demand for soybean oils increased by 24 percent. Despite this, they stated that the crush pace would be largely determined by domestic demand for soybean oil, more than the demand for soybean meal by the livestock sector.

Rapeseed meal production is forecast to increase 1.9 percent for MY 2018/19, supported by an expected increase in domestic pork production in CY 2018. The pork industry continues to be a major consumer of rapeseed meal in Mexico.

Sunflower seed meal production is forecast to remain unchanged at 13,000 MT in MY 2018/19. Private industry sources noted the livestock industry demand for this product is relatively weak, due to its lower protein content compared with other oilseeds meals. In addition, these industry sources pointed out that lower levels of lysine and threonine may cause some restrictions on non-ruminant uses of sunflower seed meal.

TABLE 10: MEXICO’S PROTEIN ON A SOY MEAL EQUIVALENT BASIS (SME)

SME	2016/2017	2017/2018	2018/2019 f/
Sunflower Seed Meal	9	9	9
Rapeseed Meal	672	784	790
Soybean Meal	5,690	6,050	6,285
Total	6,371	6,843	7,084

MEAL CONSUMPTION

The poultry sector continues to be the primary consumer of oilseed meals, mainly soybean meal due to its high protein content. The forecast for Mexican poultry production in CY 2018 is 3.5 MMT, an increase from 2017, as the vertical integration trend is expected to continue. Factors which play into continued poultry sector growth include improved genetics and increased biosecurity, along with ample and relatively well-priced feed. Based on SAGARPA’s official production numbers, poultry and eggs account for more than 60 percent of livestock production in Mexico. Feed comprises the largest percentage of production costs for both poultry meat and eggs. According to the National Poultry Union (UNA), feed continues representing approximately 65 percent of total cost of production of broiler meat.

As previously noted, the pork sector is the largest consumer of rapeseed meals. For CY 2018, Mexican pork production is expected to increase approximately three percent compared to previous year. This growth continues the trend of past years, driven in part by as vertical integration and expansion of large commercial operators. It is of particular note that infrastructure (slaughter and processing facilities) is expected to expand in southern Mexico, in part to capitalize on natural biosecurity advantages and the U.S. recognition of Mexico as free of Classical Swine Fever (CSF). Similarly, federally inspected slaughter and processing facilities, which are generally eligible to export, are expanding across the country.

As result of the relatively optimistic outlook for the Mexican livestock sector, Post forecasts that overall consumption of oil meal products will increase in MY 2018/19, but at a somewhat slower pace than previous years. Imported products are expected to continue to represent approximately 31 percent of Mexico’s total oil meal consumption. Soybean meal will continue to be the ingredient of choice for the poultry and swine industries. Rapeseed meal consumption should continue at approximately 15 percent of total meal consumption, mainly by the swine sector.

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 on the price and

availability of oilseeds meals and other ingredients (see the Distillers Dried Grain with Solubles - DDGS - section below). Also, these sources indicated that 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 their market prices.

Soybean meal consumption increased in MY 2017/18 the previous year's estimate, and is expected to continue increasing at a lower pace due to the expanding poultry and hog industries. For MY 2018/19, consumption of rapeseed meal is also expected to increase, due to expected growth in the dairy and swine industries.

The consumption of sunflower seed meal for MY 2018/19 is forecast to remain unchanged at 13,000 MT. As noted above, there is limited demand for sunflower seed meal by the animal feed industry, given its low protein content.

MEAL TRADE

Oil meal imports are expected to increase slightly to 2.2 MMT in MY 2018/19, on the expectation that international prices will continue to be affordable. Meal imports continue to make up an increasing percentage of supply. In MY 2016/17, imported meal accounted for 30.5 percent of total meal consumption. In MY 2017/18 this increased to 31.4 percent, and imported meals' share of consumption is forecast to remain at approximately 31 percent in MY 2018/19, reflecting lower international prices.

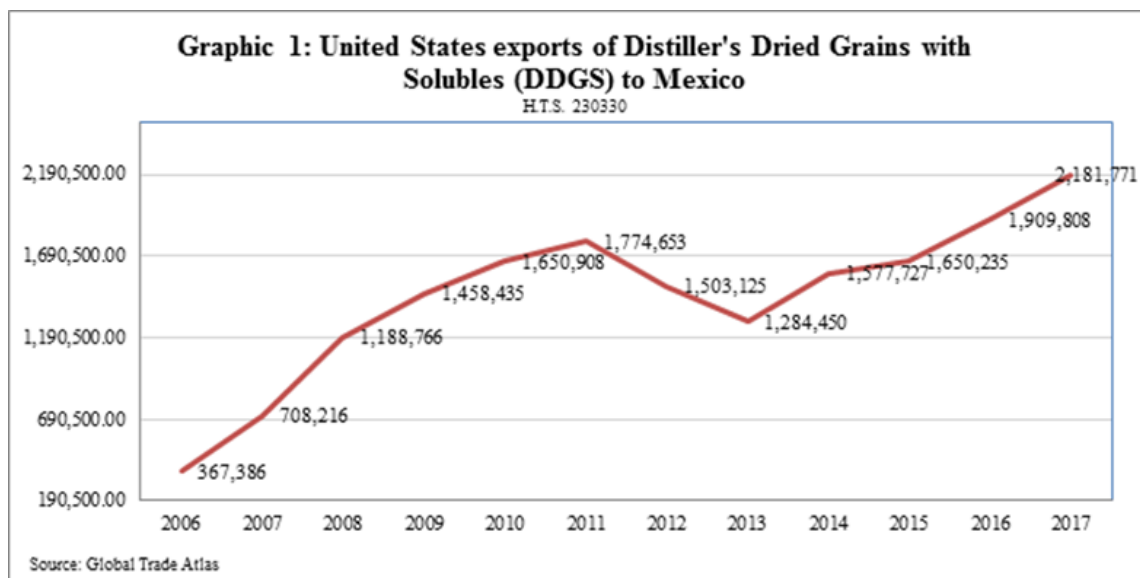
Almost all of Mexico's oil meal imports are soybean meal. With continued rising domestic livestock production, mainly poultry and hog, the demand for soymeal as one of the primary vegetable proteins should grow further, requiring additional imports. According to official data for MY 2016/17, the United States is the only supplier of soybean meal to the Mexican market. In general, the United States should remain the main external supplier of oil meals to the Mexican market in MY2018/19, with negligible amounts supplied from other origins, primarily in Latin America.

For MY2018/19, rapeseed meal imports are expected to decrease to 20,000 MT, reflecting a the preference of the livestock sector for alternative meals such as soy 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

Animal feed industry sources stated demand for distiller's dried grains with solubles (DDGS), a co-product of corn-based ethanol production that is used mainly as an animal feed, has been increasing over the last few years. 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. 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.

Despite some quality issues that Mexican importers have noted in the last few years (i.e. higher presence of mycotoxins in imported DDGS), Mexico has continued importing this product, a trend expected to continue in CY 2018 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. For example, the percentage of corn gluten used in compound feed generally is lower than the amount of DDGS due corn gluten's higher price. The United States is the only source of DDGS to Mexico.



OILS: PRODUCTION, SUPPLY AND DEMAND STATISTICS

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

Market Begin Year Mexico	Total Oils					
	2016		2017		2018	
	USDA Official	New post	USDA Official	New post	USDA Official	New post
Crush	6,180	6,180	6,625	6,625	0	6,800
Beginning Stocks	179	179	156	156	0	94
Production	1,453	1,453	1,605	1,605	0	1,640
MY Imports	391	367	390	345	0	430
Total Supply	2,023	1,999	2,151	2,106	0	2,164
MY Exports	59	49	40	54	0	54
Industrial Dom. Cons.	0	0	0	0	0	0
Food Use Dom. Cons.	1,808	1,794	1,953	1,958	0	1,988
Feed Waste Dom. Cons.	0	0	0	0	0	0
Total Dom. Cons.	1,808	1,794	1,953	1,958	0	1,988
Ending Stocks	156	156	158	94	0	122
Total Distribution	2,023	1,999	2,151	2,106	0	2,164

1000 MT, PERCENT

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

Oil, Soybean Market Begin Year Mexico	2016/2017		2017/2018		2018/2019	
	Sep 2016		Sep 2017		Sep 2018	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Crush	4600	4600	4720	4720	0	4860
Extr. Rate, 999.9999	0.1783	0.1783	0.1784	0.1784	0	0.1784
Beginning Stocks	164	164	135	135	0	59
Production	820	820	842	842	0	867
MY Imports	255	255	250	200	0	285
Total Supply	1239	1239	1227	1177	0	1211
MY Exports	24	24	4	18	0	18
Industrial Dom. Cons.	0	0	0	0	0	0
Food Use Dom. Cons.	1080	1080	1100	1100	0	1115
Feed Waste Dom. Cons.	0	0	0	0	0	0
Total Dom. Cons.	1080	1080	1100	1100	0	1115
Ending Stocks	135	135	123	59	0	78
Total Distribution	1239	1239	1227	1177	0	1211

(1000 MT) ,(PERCENT)

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

Oil, Rapeseed Market Begin Year Mexico	2016/2017		2017/2018		2018/2019	
	Oct 2016		Oct 2017		Oct 2018	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Crush	1550	1550	1875	1875	0	1910
Extr. Rate, 999.9999	0.4	0.4	0.4	0.4	0	0.3979
Beginning Stocks	15	15	21	21	0	35
Production	620	620	750	750	0	760
MY Imports	101	101	105	110	0	110
Total Supply	736	736	876	881	0	905
MY Exports	5	5	6	6	0	6
Industrial Dom. Cons.	0	0	0	0	0	0
Food Use Dom. Cons.	710	710	835	840	0	855
Feed Waste Dom. Cons.	0	0	0	0	0	0
Total Dom. Cons.	710	710	835	840	0	855
Ending Stocks	21	21	35	35	0	44
Total Distribution	736	736	876	881	0	905

(1000 MT) ,(PERCENT)

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

Oil, Sunflowerseed Market Begin Year Mexico	2016/2017		2017/2018		2018/2019	
	Oct 2016		Oct 2017		Oct 2018	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Crush	30	30	30	30	0	30
Extr. Rate, 999.9999	0.4333	0.4333	0.4333	0.4333	0	0.4333
Beginning Stocks	0	0	0	0	0	0
Production	13	13	13	13	0	13
MY Imports	35	11	35	35	0	35
MY Imp. from U.S.	0	5	0	14	0	14
MY Imp. from EU	0	0	0	0	0	0
Total Supply	48	24	48	48	0	48
MY Exports	30	20	30	30	0	30
MY Exp. to EU	0	0	0	0	0	0
Industrial Dom. Cons.	0	0	0	0	0	0
Food Use Dom. Cons.	18	4	18	18	0	18
Feed Waste Dom. Cons.	0	0	0	0	0	0
Total Dom. Cons.	18	4	18	18	0	18
Ending Stocks	0	0	0	0	0	0
Total Distribution	48	24	48	48	0	48

(1000 MT) ,(PERCENT)

OIL PRODUCTION

Overall oil production is expected to increase by approximately 2.2 percent in MY 2018/19, according to industry sources. Production is expected to increase more rapidly than consumption, due to crushers' desire to utilize their newly installed capacity, as well as to replenish stocks. Private sector sources indicated that they expect MY 2018/19 to be a better year than MY 17/18, which was influenced by exchange rate fluctuations, reduced consumer purchasing power, and uncertainty regarding the economic relationship with the United States.

The Mexican crushing industry is dominated by twelve leading companies, including: AAK, Agydsa, ACH Foods, Cargill, Coral Internacional, El Calvario, Grupo Oleofinos, Industrial Aceitera, La Corona,

Proteinol, Ragasa and Team Foods. These companies account for about 80 percent of domestic production. Most of the new investments these companies have made in recent years in additional crushing and refining capacity and updates to existing machinery have now entered into production. Industry contacts do not expect any major new investments in the sector in the short term. Reportedly, crushers are operating at approximately 75-80 percent of capacity on average. Industry sources stated that the total capacity of Mexican crushing industry is nearly of 8.0 MMT.

Soybean oil production is expected to show the strongest growth in MY 2018/19, increasing by approximately three percent to 867,000 MT due in part to demand for soy meal in the livestock sector, as discussed above. Most of the major crushers are able to 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, rapeseed oil production has continued to grow steadily as well. Rapeseed oil production is expected to increase by approximately 1.3 percent in MY 2018/19, to keep pace with consumption.

Post expects sunflower oil production to remain stable at approximately 13,000 MT in MY2018/19, reflecting the relatively limited market for this product (see the “Consumption” section below). Industry contacts do not expect any expansion of sunflower seed crushing, given that most sunflower oil processors are focusing on other oilseeds with better margins and availability, such as rapeseed and safflower.

Palm oil is not included in the overall oil production figures quoted in this report, but industry sources indicate that palm oil production has grown significantly in the past decade. The Mexican government has promoted increased production of palm oil over the past several years, leading to a large expansion of planted area. In particular, industry sources indicate that Mexico has attempted to present palm oil production as a growth area for states such as Veracruz and Tabasco, whose economies have suffered due to low petroleum prices in recent years, as well as the southern states of Chiapas and Campeche.

According to official statistics, approximately 90,000 ha of oil palms were planted in 2016, the most recent year for which data is available. This represents a 200 percent increase from 2007, when just 30,000 ha were planted. As of February 2016, there were 17 extraction plants in operation or under construction in Mexico, according to Oleomex Group. All palm oil production and extraction is concentrated in the four states mentioned above. Private sector sources indicate that there is currently approximately 175,000 MT of domestic palm oil production. These sources believe that domestic production could increase up to approximately 300,000 MT over the next few years, at the expense of imported palm oil. Palm oil demand is not expected to increase significantly.

OIL CONSUMPTION

Overall oil consumption is expected to increase by approximately 1.5 percent in MY 18/19, about the same rate as population growth. Industry contacts noted that oil demand is fairly 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. Current per capita consumption of vegetable oils is approximately 15 kg, of which 10 kg is cooking oil for home use and the remaining 5 kg is HRI and industrial consumption.

Private sector sources noted that companies are not heavily promoting their brands currently, a contrast to previous years. While some companies had conducted marketing campaigns to grow their higher-tier brands, companies are now cutting costs as they bring online the new investments they have made in machinery and facility expansion in recent years.

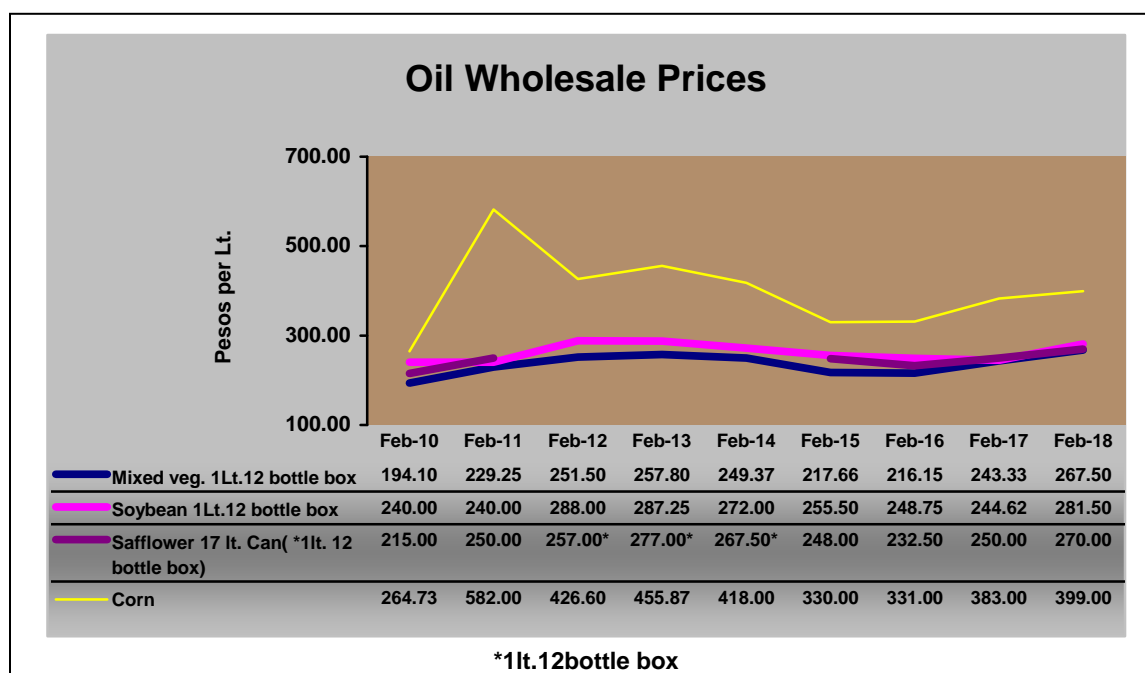
Some Mexican consumers are transitioning into healthier food choices and demanding edible oils that can provide a healthier alternative when cooking. Cases of high cholesterol and triglycerides are becoming increasingly common in the country, making this new tendency an opportunity for companies that produce edible oils. As a result, companies are now offering edible oils with added vitamins and antioxidants.

Sunflower seed oil meets several of the nutritional requirements that manufacturers are looking for. However, high costs for sunflower oil compared to soybean and rapeseed oil have limited sunflower oil consumption. Industry contacts note that there are just a handful of companies that are currently using sunflower oil in Mexico, primarily to make potato chips and other similar snacks. There are a few companies offering retail brands of sunflower oil, but these are fairly small given the higher price and lower availability of sunflower oil. Post anticipates that sunflower oil consumption will remain at approximately 18,000 MT in both MY 2017/18 and MY 2018/19, given these relatively limited growth expectations. The sunflower seed oil MY 2016/17 consumption estimate has been decreased from 18,000 to 4,000 MT, due to a significant reduction in imports, as noted in the “Trade” section below.

Total vegetable oil consumption for MY 2016/17 has been reduced from previous estimates, mainly due to the fall in sunflower oil consumption.

Palm oil consumption (again, not included in the overall oil consumption figures) has also grown in recent years. Private sector sources indicate that this is due in part to efforts to replace trans fats with palm oil in the food manufacturing sector. While use of trans fats is not prohibited in Mexico, trends toward healthier foods and the desire to be able to export to the United States and other markets with trans fat restrictions are encouraging this shift to palm oil. Industry sources estimate that palm oil consumption (in all forms) comprises approximately 25 percent of total vegetable oil consumption. However, even though palm oil is currently the third most-used edible oil, private sector sources questioned the long-term viability of the palm oil industry in Mexico. They noted that international trends seem to disfavor continued consumption of palm oil, given environmental concerns related to deforestation in some parts of the world. While there are certification programs for sustainably-produced palm oil, there are also programs to certify products as palm oil-free, as well as regulatory restrictions on palm oil introduced in some countries.

Source: Servicio Nacional de Información de mercados, SNIIM-SE.
Exchange rate (March 13, 2018) US \$ 1.00 = 18.61 Pesos



Variety	Presentation	February 17	February 18
Mixed vegetables	1lt. 12 bottle box	243.33	267.50
Soybean	1lt. 12 bottle box	244.62	281.50
Corn	1lt. 12 bottle box	383.00	399.00
Safflower	1lt. 12 bottle box	250.00	270.00

Source: Servicio Nacional de Información de mercados, SNIIM-SE.
Exchange rate (March 13, 2018) US \$ 1.00 = 18.61 Pesos

OIL TRADE

Mexico is a net importer of vegetable oils, including soybean oil from the United States and rapeseed oil from the Canada and the United States. Approximately 23 percent of soybean oil consumption and 13 percent of rapeseed oil is imported, while the vast majority of these oils are produced by domestic crushers using imported oilseeds. In MY 2018/19, total vegetable oil import volumes are expected to increase to 430,000 MT, driven by an expected rebound in soybean oil imports.

The overall vegetable oil imports for MY 2017/18, and in particular the estimate for soybean oil imports, has been reduced from previous estimates based on the import trends in official data for the first few months of the marketing year. Private sector sources indicate that changes in the exchange rate, inflation, and economic uncertainty are having an impact on soybean oil imports in this marketing year. The estimate for MY 2017/18 rapeseed oil imports has been increased slightly to 110,000 MT, based on partial year trade statistics and slightly higher estimated consumption.

Sunflower seed oil trade is difficult to estimate, as Mexico's tariff codes do not distinguish between sunflower oil and safflower oil. Safflower is a more widely produced product in Mexico, so it is likely that the majority of imports are sunflower oil, while the majority of exports are safflower oil. This

dynamic explains why Mexico appears to export a significant proportion of its imports. Mexico principally imports bulk sunflower (including safflower) oil from Argentina, with some additional volumes from the United States. Mexico's primary safflower (including sunflower) oil export market is the United States, followed by the Netherlands.

Post has revised the MY 2016/17 sunflower oil import estimate to reflect a significant drop in imports shown in the official trade data and confirmed by industry sources. Oil sector contacts noted that prices for sunflower oil were very high in MY 2016/17, especially compared to alternative vegetable oils. They also noted that there are just a few snack food manufacturers that use sunflower oil due to its nutritional characteristics, so overall demand for imported sunflower oil was very low. Imports are expected to return to average levels in MY 2017/18 and beyond, assuming that prices are more attractive.

MY 2016/17 sunflower/safflower oil exports have also been revised downward, based on official statistics and reflecting relatively limited total supplies. Exports are also expected to rebound to more normal levels in subsequent marketing years.

In MY 2016/17 and MY 2017/18, exports of bottled soybean oil to Venezuela shot up to 24,000 MT and an estimated 18,000 MT, respectively. This trade is believed to primarily be in the form of pre-packaged boxes of basic supplies that are purchased by Venezuelan entities and distributed at a reduced or zero cost to the general population. In addition to cooking oil, the boxes often contain rice, pasta, powdered milk, and other similar items. Assuming that Venezuela continues to be an attractive market for these types of pre-packaged basic foodstuffs, MY 2018/19 soybean oil exports are expected to remain at approximately 18,000 MT.

Despite growing domestic production, the majority of palm oil (approximately 75 percent) is currently imported. Industry sources estimate approximately 525,000 MT of palm oil imports per year. These sources believe this level could fall if domestic palm oil production continues to expand.

STOCKS

In general, industry sources reiterated 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 stock levels depending on their own company policies and/or requirements. However, apparently the rationale for stock levels depends on the location of the crushing and refinery plants. Ragasa, for example, reportedly 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 Tamaulipas), and it primarily imports oilseeds from the United States via train. Agydsa, which has its facilities in Jalisco and Veracruz, holds about 60 days of utilization as stocks. This company imports their oilseed requirements by ship. In addition, due to the proximity to the United States, which is the main supplier of soybeans and other oilseeds, as well as affordable freight costs, many crusher and vegetable oil companies have decided not to keep significant stocks as they purchase these products on an "as needed" basis.

Industry sources noted that companies do not regularly hold oilseed meal stocks. Since the main Mexican crushing companies have continued investing in their facilities, they have sufficient capacity to hold as much stocks of oilseeds or vegetable oils as they deem necessary.

POLICY

Support to Cultivate Oilseeds

According to Mexico's National Association of Oils, Fats and Shortening (ANIAME), SAGARPA has retained the subsidy program to encourage the domestic production of oilseeds (formerly called Pro-Oilseeds). The amount of payments to support oilseed producers is 700 pesos per ton of oilseeds (roughly 37.60 USD/MT) in 2018. These oilseeds must be sold to the domestic vegetable oil industry, or domestic livestock feed manufactures. Only producers with 100 ha or less of irrigated oilseed area, or equivalent production in non-irrigated areas, may participate in the program (for more information see 2017 GAIN Report [MX7011](#)).

PROAGRO

On December 29, 2017, SAGARPA announced in the Mexican Federal Register (*Diario Oficial*) the new operational rules of "PROAGRO Productivo," the Mexican domestic agricultural support program, for calendar year 2018. The program had only minor changes from the previous year.

This program provides direct support to growers with farms in operation that are appropriately registered in the PROAGRO directory. Per the notice, the specific goal of this Program is provide liquidity to the rural agricultural economic units (UERA in Spanish) to invest in productive activities. Farmers must demonstrate that they have grown any legal crop on eligible land (i.e. soybean, corn, wheat, sorghum, etc.) in order to participate. Payments are made on the basis of the number of hectares registered, irrespective of the type or volume of production or the related domestic or international prices. There are three separate categories of grower, based on the total surface area eligible for the program belonging to the grower:

- Self-consumption (up to five ha of non-irrigated land or 0.2 ha of irrigated land)
- Transition (greater than five ha and up to 20 ha non-irrigated land, or greater than 0.2 ha and up to five ha of irrigated land), and
- Commercial (more than 20 ha non-irrigated, or more than five ha irrigated).

For 2018, PROAGRO Productivo will retain a limit of up to 80 ha that may receive support per production unit and agricultural crop cycle. Under the program, a flat rate payment for soybeans (as well as corn, sorghum, wheat, and rice), will be provided to growers for the 2018 spring/summer and 2018/2017 fall/winter crop cycles. Payments will be made, in accordance with the per-hectare allocation set out below, subject to the 80 ha maximum:

Category	Description	Allocation per eligible hectare or fraction thereof
Self-Consumption	Growers with production units (UERA) of up to five ha of rain-fed land	1,600 pesos (84.98 USD/ha)
Transition	Growers with UREA of five to 20 ha non-irrigated, or up to five ha of irrigated area	1,000 pesos (53.11 USD/ha)

Commercial	Growers with UREA of 20 ha up to 50 ha non-irrigated, and those with more than 5 ha up to 12.5 ha of irrigated area	450 pesos (23.90 USD/ha)
	Rest of commercial growers	180 pesos (9.56 USD/ha)

Growers with production units of non-irrigated land, whose acreage is less than one hectare, will receive the support equivalent of one hectare, with certain exceptions. The operational rules state that beneficiaries are required to plant at least the eligible supported area during the agricultural crop cycle. If weather conditions or natural disasters prevent planting in eligible areas, support may still be granted as long as the local SAGARPA Delegation submits a written request, accompanied by a technical opinion of the competent authority that endorses the presence of such conditions in the affected areas.

PROAGRO beneficiaries must demonstrate that the subsidy was used for training and technical assistance, fertilization, use of improved seeds, use of phytosanitary control products, labor, machinery, equipment and agricultural implements, storage and marketing, credit guarantees, payment of services, and fuels acquisition, inter alia.

The 2018 program notice indicated that “SAGARPA can define (subject to federal budget availability) strategies to reincorporate farmers registered in the PROAGRO directory that are not currently in the Program’s target population. Similarly, SAGARPA can incorporate growers who have not been registered in the PROAGRO program, giving priority to subsistence growers that cultivate basic grains and oilseeds.” The notice states that SAGARPA can pay liabilities from agricultural cycles in the previous fiscal year which were not liquidated due to lack of budget. SAGARPA is authorized to allocate up to 1.5 percent of the full program budget to establish a training and technical assistance program directed primarily to subsistence growers to facilitate the adoption of technological innovations, improve their agricultural practices, and increase their crop yields.

Forward Contract Program

SAGARPA has continued to encourage forward contract purchases between farmers and buyers through the Forward Contract Program, known as “*Agricultura por Contrato*” (see 2008 GAIN Report [MX8075](#) “Mexico Announces Support Program for Sinaloa White Corn” for additional information on the establishment of this program).

According to SAGARPA’s Marketing Services and Agricultural Market Development Agency (ASERCA), as of September, 30 2017, 16.23 MMT of various commodities have been supported through the Forward Contract Program for the calendar year. For the 2016/17 crop cycle, 11.23 MMT were supported through the program, while for the 2017 spring/summer crop cycle 3.2 MMT were supported. It should be noted that the total volume supported for the is approximately 7.5 percent lower compared with the same period a year earlier, a reduction which was provoked in part by the cutback in ASERCA’s 2017 budget. ASERCA had to eliminate the support coverage for buyers and reduce the support to growers from 85 percent to 75 percent of the coverage cost (i.e. “put” or “call”). Many buyers withdrew from the program and found better-priced alternatives in the international market, or domestically outside of the traditional support programs.

For More Information:

Visit the FAS headquarters' home page at www.fas.usda.gov for a complete selection of FAS worldwide agricultural reporting.

Other Relevant Reports Submitted by FAS/Mexico:

Report Number	Subject	Dated Submitted
MX8011	New Opportunities in the Mexican Livestock Sector	3/9/2018
MX8007	Continued Growth in the Poultry Sector	2/19/2018
MX7047	Mexico's Processing Sector Fuels Demand for Dairy Inputs	10/23/2017
MX7011	Slight Increase Expected in Crushing Despite Decline in Oilseed Production	4/12/2017
MX6014	2016 Oilseeds and Products Annual Mexico	4/9/2016
MX5014	2015 Oilseed and Products Annual Mexico	4/1/2015