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## Mexico

### Grain and Feed Update

#### January Update for Corn and Rice

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**Report Highlights:**

Marketing year (MY) 2010/11 corn and rice production estimates have been lowered by 500,000 metric tons (MT) and 15,000 MT, respectively, to 24 million metric tons (MMT) and 225,000 MT.

This results in ending stocks for corn and rice moving lower. As a result, the Post/New estimate reflects only a modest increase in MY2010/11 imports. There are no changes to Post estimates of sorghum, wheat, and dry bean supply and demand. Rice industry contacts report that owners new to the rice sector purchased a major milling operation recently. As global corn prices move higher, government officials, industry, consumers, and the press are following tortilla price movements that

have trended higher, but not at the same rate as commodity prices.

**Post:**  
Mexico City

**Commodities:**  
Corn

Rice, Milled

Wheat

Wheat, Durum

Sorghum

Mixed Grain

**Executive Summary:**

**Production:**

**Corn**

The Post/New production estimate for MY 2010/11 (October to September) has been revised downward from USDA/Official estimates to 24.0 MMT due to adverse weather conditions and lower harvested area. Government of Mexico sources stated that despite favorable rains during the first months of the 2010 spring/summer crop cycle (i.e., May, June and July), since last September new moisture was scarce or non-existent. As a result, the grain development stage did not progress well in states that traditionally have late planting seasons (e.g., Guanajuato, Durango, Aguascalientes, and Zacatecas) and yields are lower than previously estimated. Post/New versus USDA/Official harvested area estimates will be lower than originally estimated due to these adverse weather conditions. Some industry sources stated that the reduction in volume for the 2010 spring/summer crop cycle could be even bigger, but that it would be necessary to wait a few weeks longer to assess the situation. The spring/summer crop cycle accounts for approximately 73 percent of Mexico's total marketing year production. The production estimates for MY 2008/09 and for MY 2009/10 remain unchanged.

**Rice**

The Post/New rice production estimate has been revised downward from USDA/Official figures by approximately 6 percent for MY 2010/11 to 225,000 MT (rough production) as a result of excess of rain in the main producing states (i.e., Campeche, Veracruz and Tabasco). This reduction in rough production is equivalent to 150,000 MT of milled rice. Sources stated that Hurricane Karl (see 2010 GAIN Report MX0070) was responsible for flooding and damaging rice acreage. The Post/New production and harvested area estimates for MY 2009/10 have been revised downward from USDA/Official figures. These changes reflect the most recent data from the Secretariat of Agriculture, Livestock, Rural Development, Fishery and Food (SAGARPA).

**Stocks:**

**Corn**

The MY 2010/11 Post/New ending stocks estimate was revised downward to 1.983 MMT from the USDA/Official estimate, due to lower-than-previously estimated domestic production.

## **Rice**

FAS/Mexico adopted USDA/Official estimates of Mexican rice ending stocks for MY 2008/09. The MY 2009/10 Post/New ending stock estimate was revised downward modestly from the USDA/Official estimate. This is reflected in the downward adjustment for MY 2010/11 carryover, as well.

## **Policy**

### **Rice**

According to the Mexican Rice Council (MRC), a major rice milling company that traditionally acquired near 35 percent of domestic production was sold to a company headquartered in Sinaloa. Apparently, after 10 years of financial difficulties, the owners of the troubled mill sold the company to a respected businessperson and former politician. This mill, also, historically imported between 20 to 25 percent of Mexico's total rough rice imports from the United States.

The industry is uncertain about the impact of the sale on the rice sector. According to the MRC, the new owner has stated that he is willing continue buying domestic rice and sign forward contracts with domestic paddy rice growers. As such, this could influence planting intentions for the upcoming season. Other sources pointed out that some of the brands of the recently sold mill could be more valuable to the new owner than running the mill. Therefore, it is possible that the new owner could bypass or reduce milling operations and purchase milled rice from United States and package it in Mexico under the well-known mill brand. This alternative, for this as well as other Mexican mills, could present new opportunities for U.S. exporters in the Mexican market.

### **Sorghum, Wheat and Dry Beans**

There are no changes to our previous forecast for sorghum, dry beans, and wheat.

## **Other**

### **Corn and Tortilla Prices**

As global commodity prices began moving higher at the end of 2010, some players in Mexico's tortilla industry became increasingly vocal regarding the need to increase tortilla prices (see 2010 GAIN Report [MX0094](#)). As indicated in Figure 1, below, although prices for corn and tortilla trended higher in 2010 and the first part of 2011, there is little apparent correlation between international yellow corn prices and tortilla prices in Mexico as tortillas are made almost entirely from domestic-origin white corn. Possible causes for the lower rate of increase in white corn and tortilla prices in comparison with global commodity prices could stem from the hedging programs instituted by the Government of Mexico as well as domestic support programs for producers and the tortilla manufacturing industry.

A note about the graph: Mexican tortilla and white corn prices are recorded by the Secretariat of Economy in pesos per kilogram at wholesale markets throughout the country. The prices in the figure are nominal prices converted to U.S. dollars per metric ton by using Bank of Mexico exchange rate date for each of the tortilla and corn price data points. The corn component of the national average tortilla price is calculated using industry information that suggests 1.0 MT of corn produces 1.4 MT of tortillas. The U.S. Grade 3 yellow corn price is from the International Grains Council.

Figure 1. Mexico: Corn and Tortilla Prices Trend Upward Near the End of 2010

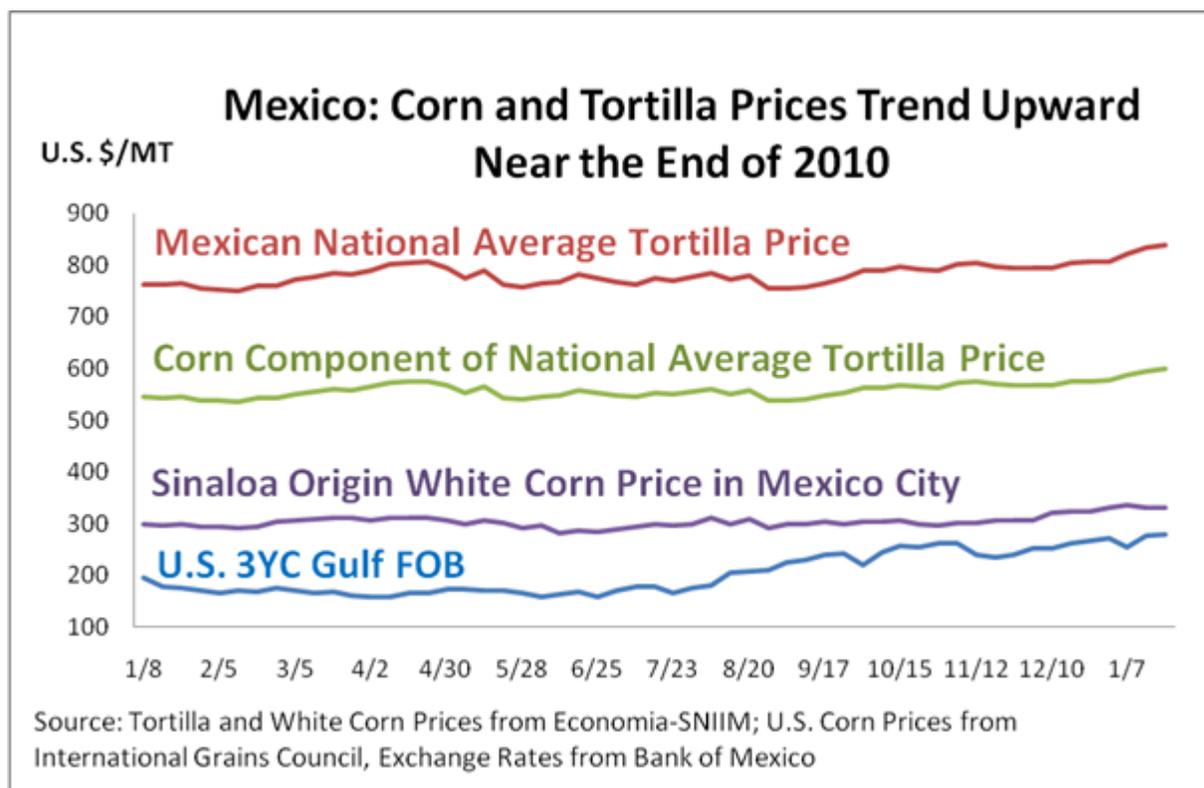


Table 1. Mexico Corn Production, Supply, and Demand Situation

Corn Mexico	2008/2009		2009/2010		2010/2011	
	Market Year Begin: Oct 2008		Market Year Begin: Oct 2009		Market Year Begin: Oct 2010	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	7,318	7,318	6,280	6,280	7,200	6,950
Beginning Stocks	4,131	4,131	3,559	3,483	1,389	1,333
Production	24,226	24,226	20,374	20,374	24,500	24,000
MY Imports	7,764	7,679	8,298	8,108	8,100	7,900
TY Imports	7,764	7,679	8,298	8,108	8,100	7,900
TY Imp. from U.S.	7,721	7,679	8,254	8,108	0	7,900
Total Supply	36,121	36,036	32,231	31,965	33,989	33,233
MY Exports	162	153	642	632	300	150
TY Exports	162	153	642	632	300	150
Feed and Residual	16,400	16,400	14,200	14,000	15,000	15,000
FSI Consumption	16,000	16,000	16,000	16,000	16,100	16,100
Total Consumption	32,400	32,400	30,200	30,000	31,100	31,100
Ending Stocks	3,559	3,483	1,389	1,333	2,589	1,983
Total Distribution	36,121	36,036	32,231	31,965	33,989	33,233

1000 HA, 1000 MT

Table 2. Mexico: Rice Production, Supply, and Demand Situation

Rice, Milled Mexico	2008/2009		2009/2010		2010/2011	
	Market Year Begin: Oct 2008		Market Year Begin: Oct 2009		Market Year Begin: Oct 2010	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	52	52	56	55	50	47
Beginning Stocks	193	193	166	166	171	170
Milled Production	156	156	178	177	160	150
Rough Production	234	234	267	265	240	225
Milling Rate (.9999)	6,667	6,667	6,667	6,667	6,667	6,667
MY Imports	588	588	608	608	650	655
TY Imports	610	610	600	608	650	655
TY Imp. from U.S.	609	609	0	608	0	655
Total Supply	937	937	952	951	981	975
MY Exports	10	10	6	6	5	5
TY Exports	10	10	6	6	5	5
Consumption and Residual	761	761	775	775	820	820
Ending Stocks	166	166	171	170	156	150
Total Distribution	937	937	952	951	981	975
1000 HA, 1000 MT						

**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.

**FAS/Mexico YouTube Channel:** Catch the latest videos of FAS Mexico at work  
<http://www.youtube.com/user/ATOMexicoCity>

**Other Relevant Reports Submitted by FAS/Mexico:**

Report Number	Subject	Date Submitted
<a href="#">MX0094</a>	Tortilla Price Crisis To Be Determined	12/15/10
<a href="#">MX0089</a>	December Grain and Feed Update	12/03/10
<a href="#">MX0078</a>	Grain and Feed Update	10/26/10
<a href="#">MX0070</a>	October Grain and Feed Update	10/05/10
<a href="#">MX0060</a>	September Grain and Feed Update	09/03/10

**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) and Mexico's equivalent to the U.S. Department of Commerce (SE) can be found at [www.economia.gob.mx](http://www.economia.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.