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## **Mexico**

### **Grain and Feed Update**

#### **Corn and Wheat Production Higher than Expected but Wheat Consumption Down**

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**Report Highlights:**

Mexico's wheat production in MY 2019/20 is revised upward, based on favorable weather conditions and plentiful water reservoirs in Sonora, the main producer state. However, wheat consumption and imports will decrease as a result of the sluggish Mexican economy and higher domestic production. Corn production for MY2018/19 is increased because of additional area harvested and favorable weather conditions, with the greater production also lowering corn imports. Production of sorghum is decreased while rice production estimates remain unchanged.

**Commodities:**

Wheat

Corn

Sorghum

Rice, Milled

**EXECUTIVE SUMMARY**

Mexico's wheat production in MY 2019/20 is revised upward slightly, based on more complete figures from the Secretariat of Agriculture and Rural Development (SADER). Favorable weather conditions and plentiful water reservoirs in Sonora, the main producer state, helped to obtain higher yields than initially estimated. The corn production estimate for MY2018/19 is increased approximately 3.4 percent based on the most recent data from SADER as of July 31, 2019. This increase reflects slightly higher area harvested than previously estimated and favorable weather conditions. The sorghum production estimate for MY 2018/19 has been reduced roughly 6 percent, as a result of lower than expected harvested area and adverse weather conditions during the 2018/19 fall/winter crop cycle.

The corn import estimate for MY 2018/19 is revised downward to 16.1 million metric tons (MMT), based on SADER and the General Customs Directorate of the Finance Secretariat (SHCP) data for the first ten months of this marketing year. Similarly, rice import and export estimates for the MY 2018/19 are revised downward reflecting official SADER and SHCP data for the first ten months of this marketing year.

**WHEAT****Table 1: Mexico, Sorghum Production, Supply, and Demand for MY 2016/17 to MY 2019/20**

Wheat Market Begin Year	2017/2018		2018/2019		2019/2020	
	Jul 2017		Jul 2018		Jul 2019	
Mexico	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	667	667	540	540	610	610
Beginning Stocks	876	876	768	768	578	609
Production	3494	3494	3000	3000	3200	3300
MY Imports	5245	5245	4860	4860	5500	5200
TY Imports	5245	5245	4860	4860	5500	5200
TY Imp. from U.S.	3047	3054	3349	3349	0	0
Total Supply	9615	9615	8628	8628	9278	9109
MY Exports	1147	1147	550	519	1000	1000
TY Exports	1147	1147	550	519	1000	1000
Feed and Residual	400	400	300	300	200	200
FSI Consumption	7300	7300	7200	7200	7500	7300
Total Consumption	7700	7700	7500	7500	7700	7500
Ending Stocks	768	768	578	609	578	609
Total Distribution	9615	9615	8628	8628	9278	9109
Yield	5.2384	5.2384	5.5556	5.5556	5.2459	5.4098

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

**Production:**

The total wheat production for MY 2019/20 (July to June) was revised slightly upward to 3.3 MMT reflecting the most recent data from SADER. This data includes results for the 2018/19 fall/winter crop cycle as of July 31, 2019, as well as updated information of the 2019 spring/summer crop cycle. Private and official sources agreed that favorable weather conditions and plentiful water reservoirs in Sonora, the main producer state, produced higher yields than initially estimated.

## **Consumption**

Post's total wheat consumption estimate for food seed and industrial (FSI) in MY2019/20 is revised downward to 7.3 MMT based on new information from private sources. According to those private sources, the FSI consumption showed a deceleration in the current CY 2019 in industrial bakeries and artesian bakeries as well as in the animal feed industry. The sources stated that the decline could be attributed to several factors, such as the campaigns against the obesity and diabetes launched by the Mexican Government and public health organizations several years ago. However, the main reason is attributed to Mexico's sluggish economy and the consequent reduction of purchasing power.

Recently, for example, Mexican baked goods giant Grupo Bimbo has seen a marked deceleration in its Mexican operations. Revenue growth slowed from the double-digits a year ago to the low-to-mid single-digits. Like other big food companies (i.e. GRUMA, the giant tortilla maker), it appears that Mexico's sluggish economy is part of the problem, which is limiting both pricing power and volume growth. Input cost inflation is also picking up, leading to inconsistent year-over-year results in terms of margin performance over the last few of quarters. Mexico-based Grupo Bimbo is one of the largest producers of bakery products in the world, present in 32 countries across the Americas, Europe and Asia.

In addition, private sources noted that the slowdown in the Mexican economy has also impacted the artesian bakeries, reducing the sale of bread products. Similarly, feed consumption of wheat has declined, reflecting the relatively higher cost of wheat compared to other alternatives such as corn.

The International Monetary Fund pointed out that investment in Mexico remains weak and private consumption has slowed, reflecting policy uncertainty, weakening confidence, and rising borrowing costs, which could climb further following the recent sovereign rating downgrade. Moreover, during the past few months, private analysts pared back their Mexican growth forecasts, with some now predicting little expansion at all in CY 2019 and 2020. During the first half of 2019, the Mexican economy grew 0.3 percent in adjusted terms from the same period a year earlier.

## **Trade**

The total wheat import estimate for MY 2019/20 is revised downward to 5.2 MMT. Private traders estimated that Mexican wheat importers likely will opt to acquire more domestic wheat instead of imported wheat, due to the higher than previously estimated domestic production as well as the consumption slowdown mentioned above.

The composition of imported wheat origins changed slightly in the MY 2018/2019 as imports from the United States increased compared to a year earlier, while imports from other origins such as Russia and

Ukraine declined. Mexico has diversified its sources of wheat over the past several years, with secondary suppliers varying depending on price and quality. According to private traders, wheat prices from the Black Sea have been unattractive in CY 2019. Only during the months of March and April did Russia wheat have a window of opportunity (for the new crop harvested on July-August), along with low shipping rates. However, private traders estimate that Mexico would import no more than 300,000 MT from Russia in 2019. Mexican millers noted they continue looking for the best options in terms of price and type of wheat that is available. In addition, they estimate that the United States and Canada would continue to be the main suppliers for the Mexican market in the next marketing year.

The export estimate for the MY 2018/19 was adjusted downward to 519,000 MT, based on official data from the SHCP and SADER.

### Stocks

The MY 2019/20 Post ending stocks estimate was revised upward slightly to 609,000 MT, due to lower than previously estimated total consumption. Similarly, the ending stock estimate for the MY 2018/19 was revised upward based on lower exports than previously estimated.

### CORN

**Table 2: Mexico, Corn Production, Supply, and Demand for MY 2016/17 to MY 2019/20**

Corn	2017/2018		2018/2019		2019/2020	
	Oct 2017		Oct 2018		Oct 2019	
Market Begin Year	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Mexico	7322	7322	7100	7200	7300	7300
Area Harvested	7322	7322	7100	7200	7300	7300
Beginning Stocks	5409	5409	5649	5649	4649	4749
Production	27569	27569	26700	27600	27000	27000
MY Imports	16129	16129	17000	16100	18500	18500
TY Imports	16129	16129	17000	16100	18500	18500
TY Imp. from U.S.	15525	15525	0	0	0	0
Total Supply	49107	49107	49349	49349	50149	50249
MY Exports	958	958	800	700	1500	1500
TY Exports	958	958	800	700	1500	1500
Feed and Residual	24300	24300	25700	25700	27000	27000
FSI Consumption	18200	18200	18200	18200	18500	18500
Total Consumption	42500	42500	43900	43900	45500	45500
Ending Stocks	5649	5649	4649	4749	3149	3249
Total Distribution	49107	49107	49349	49349	50149	50249
Yield	3.7652	3.7652	3.7606	3.8333	3.6986	3.6986

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

### Production

FAS/Mexico revised the estimate of corn production upward for MY 2018/19 (October-September), an increase of 900,000 MT, based on the most recent data from SADER as of July 31, 2019. This increase reflects slightly higher area harvested than previously estimated and favorable weather conditions. Official sources stated that the rainy period was regular and weather conditions were very favorable, which benefited yields. Additional factors that impacted the crop were plentiful water reservoirs levels in the main producing states (i.e. Sinaloa and Sonora) during the 2018/19 fall/winter crop cycle and the use of hybrid seeds in these states. In addition, in the case of Sinaloa, some growers switched crops

from chickpea to corn as a result of the fall in chickpea prices. Official data indicates that yields reached in Sinaloa were 12.2 MT/ha, when the initial estimate was 11.53 MT/ha. The Post total production estimate for the MY 2019/20 remains unchanged.

## Trade

The corn import estimate for MY 2018/19 was revised downward to 16.1 MMT, because of higher than previously estimated domestic production. Similarly, FAS/Mexico export figures for MY 2018/19 were decreased based on SADER and the SHCP data for the first ten months of this marketing year.

## Stocks

The MY 2018/19 ending stocks estimate is revised upward to reflect lower exports than previously estimated. This is reflected in the upward adjustment to MY 2019/20 carry over as well.

## SORGHUM

**Table 3: Mexico, Sorghum Production, Supply, and Demand for MY 2016/17 to MY 2019/20**

Sorghum 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	1350	1350	1350	1320	1500	1500
Beginning Stocks	172	172	113	113	213	98
Production	4545	4545	4700	4415	5000	5000
MY Imports	98	98	500	570	400	400
TY Imports	98	98	500	570	400	400
TY Imp. from U.S.	98	98	0	0	0	0
Total Supply	4815	4815	5313	5098	5613	5498
MY Exports	2	2	0	0	0	0
TY Exports	2	2	0	0	0	0
Feed and Residual	4600	4600	5000	4900	5100	5100
FSI Consumption	100	100	100	100	100	100
Total Consumption	4700	4700	5100	5000	5200	5200
Ending Stocks	113	113	213	98	413	298
Total Distribution	4815	4815	5313	5098	5613	5498
Yield	3.3667	3.3667	3.4815	3.3447	3.3333	3.3333

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

## Production

Total sorghum production estimate for MY 2018/19 (Oct-Sep) is revised downward to 4.415 MMT due to decreasing plantings and adverse weather conditions in the 2018/19 fall/winter crop cycle in Tamaulipas, the main producer state in this cycle. Among the adverse weather factors were the lack of rain at a critical stage of the crop development, a heat wave during the grain filling stage, and a hailstorm in mid-May, which reduced the expected yields. In addition, the figures reflect the updated SADER data, which include final results of the 2018 spring/summer crop cycle and available information for the 2018/19 fall/winter crop cycle as of July 31, 2019

## Trade

Mexico's total sorghum imports estimate for MY2018/19 is revised slightly upward to 570,000 MT based on official data from SHCP and SADER for the first ten months of this marketing year and reflects lower than previously estimated domestic production.

### Consumption

The sorghum total consumption estimate for MY 2018/19 is revised downward from USDA official figures to 5.0 MMT, based on the most recent information from official sources and reflecting lower than previously domestic production.

### Stocks

FAS/Mexico sorghum ending stocks estimate for MY 2018/19 is revised sharply downward to 98,000 MT, in response to reduced domestic production. The ending stocks estimate is reflected in the carry over for the MY 2019/20 as well.

### RICE

**Table 4: Mexico, Rice Production, Supply, and Demand for MY 2016/17 to MY 2019/20**

Rice, Milled	2017/2018		2018/2019		2019/2020	
Market Begin Year	Oct 2017		Oct 2018		Oct 2019	
Mexico	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	41	41	43	43	45	45
Beginning Stocks	172	172	151	151	166	161
Milled Production	183	183	190	190	200	200
Rough Production	266	266	277	277	291	291
Milling Rate (.9999)	6870	6870	6870	6870	6870	6870
MY Imports	813	813	780	770	785	785
TY Imports	776	776	780	770	785	785
TY Imp. from U.S.	557	557	0	0	0	0
Total Supply	1168	1168	1121	1111	1151	1146
MY Exports	102	102	35	30	20	20
TY Exports	109	109	35	30	20	20
Consumption and Residual	915	915	920	920	925	925
Ending Stocks	151	151	166	161	206	201
Total Distribution	1168	1168	1121	1111	1151	1146
Yield (Rough)	6.4878	6.4878	6.4419	6.4419	6.4667	6.4667
(1000 HA) ,(1000 MT) ,(MT/HA)						

### Production

Post's rice production estimate for MY 2019/20 as well as MY2018/19 remain unchanged. In the case of the MY2018/19, official sources stated that although the harvested area is slightly lower compared to a year earlier for the 2018/19 fall/winter crop cycle, they estimate the harvested area will be recovered at the end of the crop cycle and reach the 12,875 has planted. Similarly, for the 2019 spring/summer crop cycle, the planting season has been normal, without any adverse weather situations.

### Trade

The import estimate for the MY2018/19 is revised downward to 770,000 MT based on official data from SADER and SHCP for the ten first months of this marketing year. Similarly, the rice estimate is reduced based on official figures, which reflects the lower level of milled packed rice to Venezuela, as was mentioned on our previous report, due to the political instability in that country (See 2019 [MX9024](#) GAIN Report). The import and export estimates for MY 2019/20 remain unchanged.

**Stocks**

The ending stocks estimate for the MY2018/19 is revised downward to 161,000 MT, due to lower the previously estimated imports. This is reflected in the carry-over for MY 2018/19, which is also adjusted downward.

**For More Information**

FAS/Mexico Web Site: We are available at [www.mexico-usda.com.mx](http://www.mexico-usda.com.mx) 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	Title of Report	Date Submitted
<a href="#">MX9024</a>	Higher than Expected Corn Production While Rice Imports Lower	7/17/2019
<a href="#">MX9012</a>	Modest Growth Expected for Grain Production and Imports	3/12/2019
<a href="#">MX9008</a>	Corn Production Lower than Expected, Rice Higher	2/21/2019
<a href="#">MX9002</a>	Mexico Announces New “Production for Wellbeing” Support Program	2/7/2019
<a href="#">MX8047</a>	Rice and Sorghum Production Revised Downward as Lower Sorghum Imports Expected	9/17/2018
<a href="#">MX8024</a>	Lower Wheat and Rice Crops, Average Sorghum Trade Expected	5/25/2018
<a href="#">MX8010</a>	Slight Changes in Production as Grain Imports Continue Upward Trend	3/7/218
<a href="#">MX8002</a>	Corn, rice, and Sorghum Estimates Increased Slightly	1/18/2018