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Bio-Fuels

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Report Highlights:

The MY 2009/10 soybean production estimate has been revised downward to 105,000 metric tons (MT) due to adverse weather conditions. Soybean production has been affected by the early season drought in north Mexico, mainly Tamaulipas, and heavy rains in Chiapas, which lowered yields and affected the original production estimate by approximately 30 percent. As a result, the MY 2009/10 soybean import estimate was revised upward to 3.5 million metric tons (MMT). The soybean oil production estimate for MY 2008/09 was also revised upward to 626,000 MT as a result of increased crushing and an increase in U.S. soybean imports. Regarding sunflower and rapeseed and their by-

products, FAS/Mexico is maintaining previous forecasts for MY 2009/10 based on available information from the Secretariat of Agriculture (SAGARPA), the Secretariat of Economy (SE), and the National Association of Oils, Fats and Shortening (ANIAME).

General Information:

Soybeans

The MY 2009/10 production estimate has been reduced to 105,000 MT based on the latest Mexican government data and reflects adverse weather conditions. According to official sources, approximately 10,000 hectares were damaged due to excess rains in Chiapas this past October. As result, yields were adversely affected. In addition, soybean production was affected by the early season drought, mainly in Tamaulipas, which also lowered yields. Both factors cut the original production estimate by approximately 30 percent and depressed expected soybean yields from 2 to 1.46 tons per hectare for the 2009 spring/summer crop cycle. Planted and harvested area estimates for MY 2009 have been revised upward to reflect updated official data from SAGARPA.

As a result of the decline in estimated production, the MY 2009/10 import estimate increased to 3.5 MMT or 1.45 percent higher than the previous estimate. Similarly, for MY 2008/09 the import estimate has been adjusted upward slightly to 3.3 MMT based on World Trade Atlas data. Despite this slight increase, total imports for MY 2008/09 declined seven percent compared to the previous year due to the economic crunch, which forced lower and middle-income consumers to substitute meat and poultry for less expensive protein sources. The domestic consumption estimate for MY 2008/09 has been revised upward reflecting private industry information.

Due to an unanticipated increase in imports, MY 2008/09 ending stocks were revised upward to 36,000 MT. The ending stocks estimate for MY 2009/10 also increased due to higher-than-previously anticipated total imports.

Soybean Meal

The soybean meal production estimate for MY 2008/09 increased slightly, reflecting updated industry information. The MY 2008/09 soybean meal import estimate also increased based on official information from the Secretariat of Economy (SE).

The Feed Waste Domestic Consumption estimate for MY 2009/10 has been adjusted upward based on

information from the Mexican Feed Producers Association, which assumes a better performance from the poultry industry. Mexican poultry production is forecast to grow through MY 2010, despite facing its first reduction in CY 2009. (Please see MX9059.) As a result, the ending stocks estimate for MY 2009/10 has been revised downward. The ending stocks estimate for MY 2008/09 has been adjusted upward reflecting higher-than-previously estimated imports.

Soybean Oil

Total oil production has been revised upward for MY 2008/09 due to an increase in crushing. The production estimate for MY 2009/10 remains unchanged. Soybean oil imports for MY 2008/09 and MY 2009/10 have been revised downward based on official SE data for the first year and industry sources for the second year, which reflects a more than previously estimated weaker demand. The export estimate for MY 2009/10 remains the same and is based on official data from the SE.

Total oil consumption figures for MY 2008/09 and 2009/10 have been revised downward compared to MY 2007/08 consumption. Despite an increase in MY 2007/08 consumption, the revised figures from MY 2008/09 and 2009/10 show a declining trend in consumption and reflects deterioration in consumer purchasing power as well as an increase in domestic vegetable oil prices.

In order to face the sluggish domestic vegetable oil demand, some oil companies started exporting their product to the United States. For example, Ragasa, which packages and markets retail vegetable oil, recently established an agreement this past October to supply various Wal-Mart stores with its product throughout the United States. According to various sources, Ragasa has high expectations that its product will be successful in the United States, especially considering its promotion of zero trans fats. Ragasa anticipates having its product in nearly every Wal-Mart store in the United States.

Policy

Secretary of Agriculture Francisco Mayorga recently announced that SAGARPA will promote planting oilseeds in Mexico through different incentive programs, such as forward contracts and the Target Income Program (please see MX8017 and MX9007). SAGARPA also plans on promoting the use of genetically modified seeds in order to influence production patterns. The Target Income Program provides payments to cover the difference between the market price and the "target income". The maximum amount that SAGARPA pays is defined as the difference between the market price and the "target income" while forward contracts ensure purchases between farmers and buyers. SAGARPA's objective is to reduce Mexico's oilseed imports, which represent 95 percent of total domestic consumption.

Mayorga recently stated that SAGARPA has been analyzing regions of the country where oilseed production could be developed. He noted that 20 years ago, Mexico was a strong producer of soybeans, mainly in Sonora and Sinaloa, but due to the infestation of white fly and incentives to cultivate corn, the crop practically disappeared. Mayorga indicated that its main challenge will be for growers to stop planting corn, wheat and sorghum and substitute with soybeans. Currently, there are commercial plantings of: safflower in the north of the country (mainly in Sonora), palm in Chiapas, Veracruz and Oaxaca, canola in Zacatecas and Mexico, GM soybean in Campeche and Chiapas as well as jatropha for biodiesel in Chiapas (please see table below).

State	Crop	2008 Production (MT)
Campeche	GM Soybean	11,447
Chiapas	Palm	242,615
Sonora	Safflower	61,971
Mexico	Canola	2,257

Source: SAGARPA

Secretary Mayorga also stated that the National Institute of Forest, Agriculture and Fisheries Research (INIFAP) is working on a new variety of soybeans that is resistant to white fly. Through this research, Mayorga hopes that Mexico will become 30 percent self-sufficient in soybean production by 2012. It should be noted that these announcements should be taken with caution. This is not the first time the GOM has launched drastic measures or support programs to increase the production of certain crops. While these measures are encouraging, it is not expected to have a major impact on current trading patterns. The United States is expected to remain the key supplier of soybeans to Mexico due to its transportation and marketing advantages.

Production, Supply and Demand Data Statistics :

Oilseed, Soybean Mexico (1000 HA) (1000 MT)	2007			2008			2009		
	2007/08			2008/09			2009/10		
	Market Year Begins: Sep 2007			Market Year Begins: Jun 2008			Market Year Begins: Jun 2009		
	USDA Official Data	Old Post Est.	New Post Est.	USDA Official Data	Old Post Est.	New Post Est.	USDA Official Data	Old Post Est.	Jan Data
Area Planted	73	73	73	80	88	88	80	85	89
Area Harvested	53	63	63	65	76	76	65	75	70
Beginning Stocks	39	39	39	19	56	56	29	34	36
Production	76	88	88	160	153	153	115	150	105
MY Imports	3,614	3,584	3,584	3,100	3,300	3,327	3,535	3,450	3,500
MY Imp. from U.S.	3,613	3,584	3,584	3,100	3,300	3,327	3,490	3,450	3,500

MY Imp. from EU	0	0	0	0	0	0	0	0	0
Total Supply	3,729	3,711	3,711	3,279	3,509	3,536	3,679	3,634	3,641
MY Exports	0	0	0	0	0	0	0	0	0
MY Exp. to EU	0	0	0	0	0	0	0	0	0
Crush	3,675	3,620	3,620	3,215	3,440	3,465	3,615	3,560	3,560
Food Use Dom. Cons.	0	0	0	0	0	0	0	0	0
Feed Waste Dom. Cons.	35	35	35	35	35	35	35	35	35
Total Dom. Cons.	3,710	3,655	3,655	3,250	3,475	3,500	3,650	3,595	3,595
Ending Stocks	19	56	56	29	34	36	29	39	46
Total Distribution	3,729	3,711	3,711	3,279	3,509	3,536	3,679	3,634	3,641
CY Imports	3,507	3,610	3,610	3,200	3,478	3,478	3,550	3,600	3,650
CY Imp. from U.S.	3,507	3,610	3,610	3,200	3,478	3,478	3,550	3,600	3,650
CY Exports	0	0	0	0	0	0	0	0	0
CY Exp. to U.S.	0	0	0	0	0	0	0	0	0

Meal, Soybean Mexico (1000 MT) (PERCENT)	**2007**			**2008**			**2009**		
	2007/08			**2008/09**			**2009/10**		
	Market Year Begins: Sep 2007			**Market Year Begins: Jun 2008**			**Market Year Begins: Jun 2009**		
	USDA Official Data	**Old Post Est.**	**New Post Est.**	**USDA Official Data**	**Old Post Est.**	**New Post Est.**	**USDA Official Data**	**Old Post Est.**	**Jan Data**
Crush	3,675	3,620	3,620	3,215	3,440	3,465	3,615	3,560	3,560
Extr. Rate, 999.9999	1.	1.	0.7773	1.	1.	0.787	1.	1.	0.7865
Beginning Stocks	75	75	75	18	43	43	20	62	91
Production	2,900	2,814	2,814	2,530	2,726	2,727	2,850	2,800	2,800
MY Imports	1,401	1,382	1,382	1,500	1,470	1,497	1,485	1,450	1,450
MY Imp. from U.S.	1,400	1,382	1,382	1,500	1,470	1,497	1,475	1,450	1,450
MY Imp. from EU	0	0	0	0	0	0	0	0	0
Total Supply	4,376	4,271	4,271	4,048	4,239	4,267	4,355	4,312	4,341
MY Exports	8	8	8	8	7	6	8	7	7
MY Exp. to EU	0	0	0	0	0	0	0	0	0
Industrial Dom. Cons.	0	0	0	0	0	0	0	0	0
Food Use Dom. Cons.	50	50	50	50	50	50	51	50	50
Feed Waste Dom. Cons.	4,300	4,170	4,170	3,970	4,120	4,120	4,265	4,200	4,250
Total Dom. Cons.	4,350	4,220	4,220	4,020	4,170	4,170	4,316	4,250	4,300
Ending Stocks	18	43	43	20	62	91	31	55	34
Total Distribution	4,376	4,271	4,271	4,048	4,239	4,267	4,355	4,312	4,341
CY Imports	1,503	1,626		1,500	1,486	1,486	1,500	1,500	1,500
CY Imp. from U.S.	1,503	1,626		1,500	1,486	1,486	1,500	1,500	1,500
CY Exports	8	6		8	7	7	8	7	7
CY Exp. to U.S.	0	0		0	0	0	0	0	0
SME	4,350	4,220	4,220	4,020	4,170	4,170	4,316	4,250	4,300
TS=TD			0			0			0

Oil, Soybean Mexico (1000 MT) (PERCENT)	**2007**	**2008**	**2009**
	2007/08	**2008/09**	**2009/10**
	Market Year Begins: Sep 2007	**Market Year Begins: Sep 2008**	**Market Year Begins: Sep 2009**

	USDA Official Data	Old Post Est.	New Post Est.	USDA Official Data	Old Post Est.	New Post Est.	USDA Official Data	Old Post Est.	Jan Data
Crush	3,675	3,620	3,620	3,215	3,440	3,465	3,615	3,560	3,560
Extr. Rate, 999.9999	0.	0.	0.1757	0.	0.	0.1758	0.	0.	0.1758
Beginning Stocks	7	7	7	39	38	38	5	6	5
Production	647	636	636	565	605	609	636	626	626
MY Imports	236	236	236	159	170	159	185	200	195
MY Imp. from U.S.	235	235	235	159	170	159	185	200	195
MY Imp. from EU	0	0	0	0	0	0	0	0	0
Total Supply	890	879	879	763	813	806	826	832	826
MY Exports	2	2	2	1	2	1	2	2	2
MY Exp. to EU	0	0	0	0	0	0	0	0	0
Industrial Dom. Cons.	0	0	0	0	0	0	0	0	0
Food Use Dom. Cons.	844	834	834	752	800	795	810	816	810
Feed Waste Dom. Cons.	5	5	5	5	5	5	5	5	5
Total Dom. Cons.	849	839	839	757	805	800	815	821	815
Ending Stocks	39	38	38	5	6	5	9	9	9
Total Distribution	890	879	879	763	813	806	826	832	826
CY Imports	214	159	159	185	214	214	185	200	195
CY Imp. from U.S.	213	159	159	185	212	214	185	200	195
CY Exports	2	0	0	2	2	2	2	2	2
CY Exp. to U.S.	1	0	0	1	1	1	1	0	1
TS=TD			0			0			0