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Mexico

Oilseeds and Products Annual

2011 Oilseeds Annual

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Report Highlights:

Total oilseed import demand is forecast to increase in MY2011/12 to 5.078 million metric tons (MMT) (73 percent of which is from soybeans, nearly all of U.S. origin). Mexico remains a price sensitive market and industry users will switch between different oilseeds and meals or other feed components as prices fluctuate. Domestic support mechanisms are encouraging domestic expansion of soybean and sunflower production. Peanuts remain a popular snack food in many parts of Mexico.

Commodities:

Oilseed, Soybean

Oilseed, Peanut

Oil, Sunflowerseed

Oilseed, Rapeseed

Production:**OILSEED PRODUCTION**

The Post/New MY2011/12 total Mexican oilseed production forecast is increased to 272,000 metric tons (MT) based on assumed normal weather conditions and an increase in harvested area stimulated by increased domestic support. Domestic production represents only 5 percent of total domestic consumption, as imports have displaced much domestic oilseed production with almost all oilseed imports originating from the United States.

The Post/New estimated total oilseed production for MY2010/11 has been revised upward to 241,000 MT due to recent government information (see Soybean Production section). Similarly, Post/New estimate of total oilseed production for MY 2009/10 has been increased based on recent official government information from the Secretariat of Agriculture, Livestock, Rural Development and Fishery (SAGARPA). According to SAGARPA, genetically engineered oilseeds have not been officially approved for commercial planting in Mexico.

Soybean Production

The Post/New total Mexican soybean production forecast for MY2011/12 is 200,000 MT due to an expansion in harvested area in Mexico's soybean producing regions, which assumes that enough moisture will be available for next summer's soybean planting. In addition, this assumes that high international prices will persist and the Government of Mexico Pro Oilseeds program will continue (see Oilseeds Policy Section). The harvested area estimate for MY2010/11 and the production estimates have been adjusted upward based on SAGARPA's final data.

FAS/Mexico revised its MY2010/11 soybean production estimate upward to 177,000 MT from USDA/Official estimates based on updated official figures from SAGARPA. According to industry sources, planted area increases were stimulated by the Pro Oilseeds program (see 2010 GAIN Report [MX0022 Mexican Oilseeds Production Expected to Increase](#)) as well as high international prices.

Because of this program, Tamaulipas registered a 77 percent increase in planted area for the 2010 spring/summer crop cycle (96,300 hectares (ha) versus 54,500 ha planted in the same cycle a year earlier). According to industry sources, the main soybean crushing company in Mexico already acquired approximately 50 percent of Tamaulipas' soybean production (89,000 MT) for MY2010/11.

Peanut Production

Post/New MY2011/12 (October to September) peanut production is forecast at 70,000 MT with harvested area, assuming normal weather conditions, estimated at 45,000 ha. According to industry sources, peanut producers are experiencing a poor MY2010/11 and should increase harvested area and production to levels consistent with the long-term average for the past few years. This assumes that enough moisture is available for next summer's planting and market prices remain attractive.

The Post/New peanut production estimate for MY2010/11 has been revised downward from USDA/Official estimates to 63,000 MT due to adverse weather conditions and lower harvested area. Official sources stated that despite favorable rains during the early growing stages (May to July) of the 2010 spring/summer crop cycle, since last September new moisture was scarce or non-existent. As a result, the peanut development stage did not progress well in some states and yields were lower than previously estimated.

SAGARPA publishes official peanut production data just once per year. Peanut production and the planted and harvested areas have been revised upward for MY2009/10 based on this official information.

The spring/summer peanut crop cycle is planted from April to March and the fall/winter crop cycle is planted from September to October. Approximately 96.8 percent of Mexican peanut production is from the spring/summer crop cycle and 78.9 percent of annual peanut production is grown on dry land (versus irrigated). Traditionally, Sinaloa has been one of the most important peanut producing states, but with the adverse weather conditions registered in the 2010 spring/summer crop cycle, the distribution of peanut production in the main producing states has changed (see Figure 2).

Sunflower Seed Production

The Post/New MY2011/12 sunflower production forecast is expected to increase to 2,000 MT due to an increase in planted area. On February 22, 2011, one of the world's largest food and beverage companies announced a partnership with the Inter-American Development Bank (IDB) to spur social and economic growth in 26 countries across Latin America and the Caribbean. This partnership includes a project to expand commercial sunflower production in Mexico. The project aim is to create a sustainable market for sunflowers by providing loans and a source of income for approximately 850 Mexican farmers and their families. The multinational firm will provide a source of heart-healthy high-oleic sunflower oil (HOSO) for cooking potato chips, biscuits, nuts, and other snacks manufactured by the multinational firm in Mexico under several well-known brands.

The five-year partnership between the multinational and the IDB marks the first time that a private company has participated in the IDB's innovative regional trust funds for development activities. As part of the sunflower production program, the multinational has committed to purchase 100 percent of the crop, for an estimated \$52 million over seven years. Additionally, the multinational will invest \$2.6 million to support management of the Mexican sunflower crop and provide training to small farmers. A financial partner, specializing in supply chain finance, will make available \$40.4 million for micro loans. The IDB, through its Opportunities for the Majority Initiative, will provide the financing partner with credit guarantees for up to \$5 million.

The project seeks to join sunflower producers located in the Bajío region (encompassing the states of Guanajuato, Jalisco, and Michoacan) because the weather in this region is suitable for sunflower seed

cultivation and is close to the multinational firm's processing plants. The objective is to have 50,000 ha planted with sunflower seed in seven years (approximately 40,000 MT of HOSO). The project aims to sign forward contracts with farmers and to use international prices as a reference. At the same time, SAGARPA will provide support through the Pro Oilseeds program.

Rapeseed Production

Rapeseed is considered a soil predator that reduces soil nutrients. This perception has discouraged planting and production continues to be minimal, with producers favoring soy and sunflower.

OILSEED PRICES:

Mexican soybean prices have trended parallel and higher with United States prices from late 2009 to November 2010. However, as seen in Figure 3, from November 2010 through February 2011, Mexican soybean prices dropped below United States prices. Information from SAGARPA suggests that prices may have moved lower as the industry was witnessing higher soy oil levels in the United States, global economic concern based on the economic crisis in Ireland, and the possibility that China would release 300,000 MT of canola oil.

Figure 3. Mexico: Soybean Prices in Mexico and the United States in pesos per metric ton for 2009 to present

Consumption:

OILSEED CONSUMPTION

Total domestic oilseed consumption for MY2011/12 is forecast to increase to 5.35 MMT, approximately 3.4 percent higher than the Post/New MY2010/11 estimate. This increase in domestic demand is attributed to continued Mexican economic growth. The Mexican economy grew 5.5 percent in 2010, the highest rate since 2000, after having declined 6.1 percent in 2009. The consensus GDP growth forecast average for 2011 is 4.2 percent. Based on this optimistic macroeconomic prediction, consumer purchasing power should grow in MY2011/12.

According to industry sources, consumer purchasing power in MY2010/11 registered a slight recovery and this trend is forecast to continue through MY2011/12. Sources stated that while Mexico's economic rebound in 2010 was initially externally-driven, recent data suggest that domestic demand is now leading the recovery as attested by recent data from supermarket and retail sales. As a result, Mexican consumers likely will increase their consumption of products containing vegetable oils, such as soybean and canola oils, as relatively improved incomes could encourage demand for convenience foods and other vegetable oil products. MY2009/10 and MY2010/11 total oilseeds demand was revised upward from USDA/Official estimates as suggested by industry sources and updated official information.

Private sources state that favorable economic conditions in 2010 generated optimism that led major oilseed crushers to invest and expand capacity. The expected rise in crush is supported by the growing demand for healthful edible oils. Industry sources stated that integrated companies that have crushing facilities, refined vegetable oils and service different market segments are those that are increasing investments in their facilities. Private sources have stated that prices will continue as the overriding factor in marketing of oilseeds as demand is price elastic and companies substitute some oilseeds as

prices dictate. Mexico will remain a net importer of oilseeds, and the United States will be the principal supplier.

Soybean Consumption

Soybean consumption is expected to increase 140,000 MT in MY2011/12 to 3.92 MMT because of the moderate increase in feed demand, stronger processor demand, and population growth (1.2 percent).

The Post/New domestic soybean consumption estimate for MY2010/11 has been revised upward from the USDA/Official estimate, reflecting the slightly bullish market outlook for this year. Similarly, reflecting updated private data, the domestic soybean consumption estimate for MY2009/10 has been revised upward from the USDA/official estimate.

Peanut Consumption

Peanut consumption is forecast to increase to 192,000 MT for MY2011/12 as consumer purchasing power continues recovering. Approximately 98 percent of total peanut consumption is in the snack food market. The consumption estimate for MY 2010/11 has been revised downward from USDA/Official estimate to 184,000 MT based on industry and official figures.

Peanuts are consumed as snacks or ground into powders. Private industry sources stated that none of Mexico's peanut production is used for oil or meal. According to industry sources, the majority of peanuts are processed and packed into 500-gram bags for retail sale under several different brands. Regional processors located in different states process peanut snacks and possess strong regional market shares. There are numerous small/informal peanut processors that acquire peanuts from distributors/importers and process peanut snacks as artisans. During the last several years, important peanut processors located in different regions of the country have identified U.S. peanuts as a high quality product in terms of flavor, shelf life, low aflatoxin levels, and low foreign material content. Smaller volumes of in-shell peanuts are sold as seasonal treats (e.g., at Christmas) and stuffed into traditional *piñatas*.

Sunflower Consumption

Post expects an improved economic outlook for MY2011/12 that should result in increasing sunflower seed consumption. Despite the fact that over the past few years only a small amount of total sunflower seed production has been used for oil and meal, this trend is expected to be reversed with the IDB and multinational joint project that seeks to increase sunflower seed domestic production. Post/New MY2009/10 and MY2010/11 estimates for sunflower seed consumption have been revised upward from USDA/Official data based on official Mexican information and stronger demand from the confection, snack, and bird-feed sectors.

Rapeseed Consumption

MY2011/12 rapeseed consumption is forecast to increase 2.5 percent to 1.23 MMT. Private sources have commented that Mexico has emerged as a consistent buyer of canola seed as Mexican crushers have a market for canola oil and they will import it when the price is competitive. The rapeseed consumption estimates for MY2009/10 and MY2010/11 have been revised upward based on the most recent official information from SAGARPA and private sources.

Trade:

OILSEED TRADE

Mexico's import decisions for oilseeds are based on price and the availability of credit, rather than quality or strong consumer preference. The Post/New MY2011/12 import forecast for Mexican oilseeds is estimated to increase approximately 3.0 percent in comparison with the Post/New revised estimate of MY2010/11. This is due to relatively stronger incomes among Mexican consumers that should boost consumption of vegetable oils and meat. Imports continue to be primarily soybeans that are crushed domestically.

The Post/New total oilseed import estimate for MY2010/11 has been revised slightly downward from the USDA/Official estimate to 4.93 MMT due to increased domestic production. The Post/New import estimate for MY2009/10 was revised upward in order to reflect official data from SAGARPA and the General Customs Directorate of the Finance Secretariat (SHCP).

The United States and Canada will continue to be the main suppliers of oilseeds to the Mexican market. Due to proximity and lower freight costs, U.S. suppliers should remain price competitive and increase their market share. For MY2011/12, the U.S. share is expected to remain at about the same level, 73 percent, as it was in MY2010/11.

Soybean Trade

The Post/New total soybean import forecast for MY2011/12 is expected to increase approximately 3.1 percent compared to MY2010/11, to 3.71 MMT, due to continued economic growth and slight growth in demand from the domestic poultry sector. The Post/New MY2009/10 soybean import estimate has been increased to 3.53 MMT based on official trade data from SAGARPA and SHCP. The Post/New soybean import estimate for MY2010/11 remains unchanged from the USDA/Official estimate.

Peanut Trade

Peanut import and export estimates for MY2009/10 and MY2010/11 have been revised downward from USDA/Official data based on information from SAGARPA and SHCP for the former and industry data for the latter.

Sunflower Trade

Imports of sunflower seed are forecast to remain at 13,000 MT for MY2011/12. Industry sources stated that sunflower oil continues to be popular in the fried snack industry. Post/New sunflower seed import estimates have been revised upward based on end-of the year data from the Secretariat of Economy (SE) for MY2009/10 and industry information for MY2010/11.

Rapeseed Trade

Assuming favorable international prices, the Post/New MY2011/12 rapeseed import forecast is estimated to increase by 30,000 MT to 1.23 MMT over the revised Post/New MY2010/11 estimate.

Canada remains the primary canola supplier to the Mexican market. Canola is included in the rapeseed production, supply, and distribution matrix. The MY2010/11 Post/New rapeseed import estimate has been revised upward from previous estimates based on updated industry information. The Post/New MY2009/10 import estimate has been increased to 1.38 MMT based on official trade data from SAGARPA and SHCP.

Policy:**OILSEED POLICY**

On June 25, 2009, SAGARPA announced the Pro Oilseeds program (See 2010 GAIN Report [MX0022 Mexican Oilseeds Production Expected to Increase](#)). The program established various oilseed production targets and assists oilseeds growers with support for planting, purchasing improved seeds and fertilizers, and technical assistance. The main purpose of this program is to increase the production of oilseeds and to encourage planting of alternative crops to improve producer income. The program offers technical assistance for increasing seed planting density, promotes the use of fertilizers and improvements in plant nutrition, and encourages efficient technological application of phytosanitary controls. The program provides support for up to 15 percent of the average cost of technical assistance, with a limit of 1,100 pesos per ha (roughly U.S. \$92.00 per ha) for the production of soybeans, rapeseed (canola), and sunflower seed.

Under the Mexican domestic agricultural support program, PROCAMPO, a flat-rate payment for oilseed crops was provided to farmers for the 2010 spring/summer crop cycle. On April 8, 2009, SAGARPA announced in the Mexican *Diario Oficial* (Federal Register) modifications to the PROCAMPO operational rules for the 2009 through 2012 spring/summer planting seasons. The support payments are between 963 to 1,300 pesos per ha (\$78.93 – 106.55/ha), depending on the number of hectares each producer has registered in the program. Additionally, in 2009, SAGARPA reduced the maximum payment limit under the program to 100,000 pesos (roughly \$8,197) regardless of total area under production.

The Government of Mexico (GOM) continues encouraging forward contract purchases between farmers and buyers through *Agricultura por Contrato (Forward Contract Program)* (see 2008 GAIN Report [MX8075 Mexico Announces Support Program for Sinaloa White Corn](#)). The program is designed for producers, traders and consumers of soybean, safflower, cotton, cereal grains, as well as orange juice and livestock products (beef and pork). The Forward Contract Program recently added cocoa and coverage for agricultural and fishing inputs such as fertilizers, natural gas (and derivatives), and diesel, as well.

Industry sources stated that this program is a novel subsidy system based on market prices and tools that facilitates price stability, merchandising, and marketing for Mexican producers of several oilseeds and grains. The Forward Contract Program includes a complex mechanism to purchase put and call options for grain and oilseed growers and the processing industry. Sources report that supports under this program are defined as non-product specific as they are available to producers of several grains and oilseeds. Moreover, the mechanism is based on world prices, thereby diminishing the risk of the system being defined as price distorting.

Production, Supply and Demand Data Statistics:

Table 1. Mexico: Soybean and Soybean Meal Prices for Calendar Years 2008 to 2011*

Year	Soybean			Soybean Meal		
	Pesos Per Ton	Annual Variation	Standard Deviation (Pesos)	Pesos Per Ton	Annual Variation	Standard Deviation (Pesos)
2008	5685.8	NA	556.7	NA	NA	NA

2009	5919	4.10%	429.2	NA	NA	NA
*2010	5740.2	-7.60%	479.2	5418.6	NA	168.2
2011	5563.7	1.70%	980.1	5713.9	5.40%	134.5

Source: SFA with data from GCMA. Note: 2011 Information is through March 2011.

* Period from July 26 to December 31 was considered.

Production, Supply and Demand Data Statistics:

Table 2. Mexico: Production, Supply, and Distribution (PSD) for Total Oilseeds

TOTAL OILSEEDS	2009/2010		2010/2011		2011/2012	
	Market Year Begin: Sep 2009		Market Year Begin: Sep 2010		Market Year Begin: Sep 2011	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	130	147	130	209		242
Area Harvested	116	117	116	186		212
Beginning Stocks	101	101	107	105		107
Production	176	208	176	241		272
MY Imports	4,900	5,028	4,939	4,935		5,078
MY Imp. from U.S.	3,442	3,588	3,592	3,611		3,710
MY Imp. from EU	0	0	0	0		0
Total Supply	5,177	5,337	5,222	5,281		5,457
MY Exports	15	1	15	1		1
MY Exp. to EU	0	0	0	0		0
Crush	4,822	4,997	4,867	4,955		5,126
Food Use Dom. Cons.	195	195	195	180		188
Feed Waste Dom. Cons.	38	39	38	38		38
Total Dom. Cons.	5,055	5,231	5,100	5,173		5,352
Ending Stocks	107	105	107	107		104
Total Distribution	5,177	5,337	5,222	5,281		5,457

1000 HA, 1000 MT

Table 3. Mexico: PSD Soybeans

Oilseed, Soybean Mexico	2009/2010		2010/2011		2011/2012	
	Market Year Begin: Sep 2009		Market Year Begin: Sep 2010		Market Year Begin: Sep 2011	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	80	93	80	167		190
Area Harvested	70	65	70	46		165
Beginning Stocks	36	36	46	48		50
Production	105	121	105	177		200
MY Imports	3,450	3,532	3,600	3,600		3,710
MY Imp. from U.S.	3,350	3,486	3,500	3,500		3,600
MY Imp. from EU	0	0	0	0		0
Total Supply	3,591	3,689	3,751	3,825		3,960
MY Exports	0	0	0	0		0
MY Exp. to EU	0	0	0	0		0
Crush	3,510	3,606	3,670	3,740		3,880
Food Use Dom. Cons.	0	0	0	0		0

Feed Waste Dom. Cons.	35	35	35	35		35
Total Dom. Cons.	3,545	3,641	3,705	3,775		3,915
Ending Stocks	46	48	46	50		45
Total Distribution	3,591	3,689	3,751	3,825		3,960
1000 HA, 1000 MT						

Table 4. Mexico: PSD Peanuts

Oilseed, Peanut Mexico	2009/2010		2010/2011		2011/2012	
	Market Year Begin: Sep 2010		Market Year Begin: Sep 2011		Market Year Begin: Sep 2012	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	50	53	50	41		50
Area Harvested	45	51	45	39		45
Beginning Stocks	17	17	13	7		7
Production	70	86	70	63		70
MY Imports	140	104	144	122		125
MY Imp. from U.S.	45	50	45	61		60
MY Imp. from EU	0	0	0	0		0
Total Supply	227	207	227	192		202
MY Exports	15	1	15	1		1
MY Exp. to EU	0	0	0	0		0
Crush	4	4	4	4		4
Food Use Dom. Cons.	195	195	195	180		188
Feed Waste Dom. Cons.	0	0	0	0		0
Total Dom. Cons.	199	199	199	184		192
Ending Stocks	13	7	13	7		9
Total Distribution	227	207	227	192		202
1000 HA, 1000 MT						

Table 5. Mexico: PSD Sunflower Seed

Oilseed, Sunflowerseed Mexico	2009/2010		2010/2011		2011/2012	
	Market Year Begin: Oct 2009		Market Year Begin: Oct 2010		Market Year Begin: Oct 2011	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	0	1	0	1		2
Area Harvested	1	1	1	1		2
Beginning Stocks	1	1	1	1		1
Production	1	1	1	1		2
MY Imports	10	15	10	13		13
MY Imp. from U.S.	7	12	7	10		10
MY Imp. from EU	0	0	0	0		0
Total Supply	12	17	12	15		16
MY Exports	0	0	0	0		0
MY Exp. to EU	0	0	0	0		0
Crush	8	12	8	11		12
Food Use Dom. Cons.	0	0	0	0		0

Feed Waste Dom. Cons.	3	4	3	3		3
Total Dom. Cons.	11	16	11	14		15
Ending Stocks	1	1	1	1		1
Total Distribution	12	17	12	15		16
1000 HA, 1000 MT						

Table 6. Mexico: PSD Rapeseed

Oilseed, Rapeseed Mexico	2009/2010		2010/2011		2011/2012	
	Market Year Begin: Oct 2009		Market Year Begin: Oct 2010		Market Year Begin: Oct 2011	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	0	0	0	0		0
Area Harvested	0	0	0	0		0
Beginning Stocks	47	47	47	49		49
Production	0	0	0	0		0
MY Imports	1,300	1,377	1,185	1,200		1,230
MY Imp. from U.S.	40	40	40	40		40
MY Imp. from EU	0	0	0	0		0
Total Supply	1,347	1,424	1,232	1,249		1,279
MY Exports	0	0	0	0		0
MY Exp. to EU	0	0	0	0		0
Crush	1,300	1,375	1,185	1,200		1,230
Food Use Dom. Cons.	0	0	0	0		0
Feed Waste Dom. Cons.	0	0	0	0		0
Total Dom. Cons.	1,300	1,375	1,185	1,200		1,230
Ending Stocks	47	49	47	49		49
Total Distribution	1,347	1,424	1,232	1,249		1,279
1000 HA, 1000 MT						

Commodities:

Meal, Soybean

Meal, Peanut

Meal, Cottonseed

Meal, Rapeseed

Production:

MEAL PRODUCTION

The Post/New total Mexican oil meal production forecast for MY2011/12 is 3.77 MMT, 3.6 percent higher than the revised estimate for MY2010/11, driven by slightly greater demand for oil meal by the livestock and poultry sectors. The poultry sector outlook, for example, is moderately optimistic for 2011 in comparison with 2010 (see 2011 GAIN Report [MX1013 Poultry and Products Semi-Annual](#)). The poultry sector continues to be the major consumer of oilseed meal in Mexico. In general, the

outlook for the livestock sector continues to be slightly optimistic in 2011 as economic growth and increasing per capita income continue and should push feed consumption growth higher by nearly two percent.

The Post/New total meal production estimates for MY2009/10 and MY2010/11 were revised upward from USDA/Official estimates, reflecting updated industry information. As in past years, high-protein soybean meal accounts for approximately 80 percent of total Mexican oil meal production. Production of oil meal from imported rapeseed and canola accounts for 19 percent of total meal use.

Soybean Meal Production

The Post/New soybean meal production estimates for MY2009/10 and MY2010/11 have been increased to 2.83 MMT and 2.94 MMT, respectively, based on information from industry sources that reveals increased domestic crushing. The upward trend in meal production has continued over the past few years as leading crushers have expanded capacities at their facilities. Capacity remains highly concentrated in the hands of four leading companies (Aceites Grasas y Derivados, Ragasa, Proteinas y Oleicos, and Cargill) that continue to grow while medium and small crushers scale back their operations. These major crushers continue to invest in their production capacity in an effort to service the Mexican livestock sector.

Sunflower Seed Meal Production

Sunflower Seed meal production is forecast to remain unchanged at 6,000 MT in MY 2011/12. The Post/New sunflower seed meal production estimates for MY 2009/10 and MY 2010/11 have been revised upward from USDA/Official estimates due to new industry information.

Rapeseed Meal Production

Rapeseed meal production for MY2010/11 is forecast to increase 2.3 percent due to an anticipated slight increase in 2011 domestic pork production (see 2011 GAIN Report [MX1021 Livestock and Products Semi-Annual](#)). The pork industry is a major consumer of rapeseed meal. In line with recent information obtained from private and official sources, the Post/New MY2009/10 and MY 2010/11 rapeseed meal production estimates have been revised slightly upward from USDA/Official estimates.

Consumption:

MEAL CONSUMPTION

Consumption of all oil meal products is expected to increase in MY2011/12 by 1.9 percent, with imported products representing approximately 31 percent of Mexico's total oil meal consumption. Soybean meal is likely to continue being the ingredient of choice for the poultry and swine industries. Rapeseed meal consumption should comprise approximately 17.5 percent of total meal consumption. The Post/New total oil meal consumption figures were revised upward for both MY2009/10 and MY2010/11 from USDA/Official estimates reflecting the most recent industry and official information.

Soybean Meal Consumption

The Post/New soybean meal consumption estimate is expected to increase in MY2010/11 in comparison with the Post/New MY2009/10 estimate as demand from the poultry sector (e.g., egg producers) continues growing. Post/New MY2009/10 consumption estimates of soybean meal have been revised upward from USDA/Official estimate based on data from official and industry sources.

Sunflower Seed Meal Consumption

MY2011/12, sunflower seed meal consumption is expected to remain unchanged at 7,000 MT. The Post/New consumption estimates of sunflower seed meal has been revised downward for MY2009/10 and MY2010/11 to 8,000 MT and 7,000 MT, respectively. This is because of high prices. According to industry sources, sunflower seed meal has a very low acceptance rate by the crushing industry and animal feed manufacturers due to its high fiber content.

Rapeseed Meal Consumption

The Post/New rapeseed and canola consumption forecast for MY2011/12 is raised by roughly 2.2 percent as Canadian canola meal prices should decline and allow for imports to feed the slight growth in the swine industry. The Post/New rapeseed meal consumption estimate for MY2010/11 was revised downward from USDA/Official figures, as prices relative to other oil meals are uncompetitive.

Rapeseed meal is used mainly by the swine sector. Industry sources state that even though rapeseed meal has lower protein levels and is of relatively lower quality in terms of essential amino acids and protein digestibility compared to other oilseed meals, it is cheaper than soybean meal and, as such, is demanded by the feed sector.

Trade:

MEAL TRADE

The Post/New meal import forecast is reduced slightly to approximately 1.70 MMT in MY2011/12 due to higher domestic production. In MY2009/10, imported meal accounted for 28.2 percent of total meal supply. In MY2010/11, this share is expected to increase to 31.9 percent, but is forecast to retreat slightly to 30.9 percent in MY2011/12. The United States has supplied about 85 percent of total meal imports for the past two years.

Distillers Dried Grains with Solubles (DDGS)

Mexico is one of, if not, the largest export markets for United States-origin DDGS, and demand for the ethanol co-product continues to increase. From MY2004/05 to MY2009/10 U.S.-origin DDGS exports to Mexico increased from .104 MMT to 1.656 MMT. Industry experts anticipate greater volumes to be traded in 2011. Much of this growth can be attributed to greater awareness about the product. Animal feed industry sources have stated that while the market for poultry, pork and beef in Mexico has increased marginally in 2010, the market for DDGS has continued growing. Currently there are no other countries exporting DDGS to Mexico and the United States should remain the key DDGS exporter to Mexico.

Soybean Meal Trade

Imports of soybean meal are expected to decline slightly in MY2011/12. The Post/New soybean meal import estimate for MY 2009/10 has been revised downward reflecting official data released by SAGARPA and SHCP. The biggest reasons for the decrease are competition from DDGS and the expected slight growth in domestic soybean production.

Sunflower Seed Meal Trade

Sunflower seed meal imports are forecast to remain unchanged at 1,000 MT in MY2011/12. The Post/New import estimate of sunflower seed meal for MY2009/10 and MY 2010/11 have been revised upward reflecting official data and industry information.

Rapeseed Meal Trade

MY2011/12 rapeseed meal imports should increase fractionally based on slight demand growth from the swine sector. Rapeseed and canola meal imports were revised downward in MY2009/10 and MY2010/11 from USDA/Official estimates based on official statistics released by SAGARPA and the SHCP for the first year and private sources for the second.

Production, Supply and Demand Data Statistics:

Table 7. Mexico: PSD Total Meal

TOTAL OILMEALS	2009/2010		2010/2011		2011/2012	
	Market Year Begin: Sep 2009		Market Year Begin: Sep 2010		Market Year Begin: Sep 2011	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Crush	4,818	4,993	4,863	4,951		5,122
Extr. Rate, 999.9999			2	2		2
Beginning Stocks	91	91	28	27		30
Production	3,509	3,630	3,574	3,635		3,766
MY Imports	1,474	1,453	1,740	1,716		1,701
MY Imp. from U.S.	1,225	1,214	1,505	1,486		1,471
MY Imp. from EU	0	0	0	0		0
Total Supply	5,074	5,174	5,342	5,378		5,497
MY Exports	7	6	7	7		8
MY Exp. to EU	0	0	0	0		0
Industrial Dom. Cons.	0	0	0	0		0
Food Use Dom. Cons.	50	50	50	50		50
Feed Waste Dom. Cons.	4,989	5,091	5,254	5,291		5,397
Total Dom. Cons.	5,039	5,141	5,304	5,341		5,447
Ending Stocks	28	27	31	30		42
Total Distribution	5,074	5,174	5,342	5,378		5,497

1000 MT, PERCENT

Table 8. Mexico: PSD Soybean Meal

Meal, Soybean Mexico	2009/2010		2010/2011		2011/2012	
	Market Year Begin: Sep 2009		Market Year Begin: Sep 2010		Market Year Begin: Sep 2011	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Crush	3,510	3,606	3,670	3,740		3,880
Extr. Rate, 999.9999	1	1	1	1		1
Beginning Stocks	91	91	28	27		30
Production	2,760	2,835	2,890	2,940		3,055
MY Imports	1,209	1,207	1,470	1,470		1,450
MY Imp. from U.S.	1,200	1,200	1,470	1,470		1,450
MY Imp. from EU	0	0	0	0		0
Total Supply	4,060	4,133	4,388	4,437		4,535
MY Exports	7	6	7	7		8
MY Exp. to EU	0	0	0	0		0
Industrial Dom. Cons.	0	0	0	0		0

Food Use Dom. Cons.	50	50	50	50		50
Feed Waste Dom. Cons.	3,975	4,050	4,300	4,350		4,435
Total Dom. Cons.	4,025	4,100	4,350	4,400		4,485
Ending Stocks	28	27	31	30		42
Total Distribution	4,060	4,133	4,388	4,437		4,535
1000 MT, PERCENT						

Table 9. Mexico: PSD Sunflower Seed Meal

Meal, Sunflowerseed Mexico	2009/2010		2010/2011		2011/2012	
	Market Year Begin: Oct 2009		Market Year Begin: Oct 2010		Market Year Begin: Oct 2011	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Crush	8	12	8	11		12
Extr. Rate, 999.9999	0	1	0	1		1
Beginning Stocks	0	0	0	0		0
Production	4	7	4	6		6
MY Imports	5	1	5	1		1
MY Imp. from U.S.	5	1	5	1		1
MY Imp. from EU	0	0	0	0		0
Total Supply	9	8	9	7		7
MY Exports	0	0	0	0		0
MY Exp. to EU	0	0	0	0		0
Industrial Dom. Cons.	0	0	0	0		0
Food Use Dom. Cons.	0	0	0	0		0
Feed Waste Dom. Cons.	9	8	9	7		7
Total Dom. Cons.	9	8	9	7		7
Ending Stocks	0	0	0	0		0
Total Distribution	9	8	9	7		7
1000 MT, PERCENT						

Table 10. Mexico: PSD Rapeseed Meal

Meal, Rapeseed Mexico	2009/2010		2010/2011		2011/2012	
	Market Year Begin: Oct 2009		Market Year Begin: Oct 2010		Market Year Begin: Oct 2011	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Crush	1,300	1,375	1,185	1,200		1,230
Extr. Rate, 999.9999	1	1	1	1		1
Beginning Stocks	0	0	0	0		0
Production	745	788	680	689		705
MY Imports	260	245	265	245		250
MY Imp. from U.S.	20	13	30	15		20
MY Imp. from EU	0	0	0	0		0
Total Supply	1,005	1,033	945	934		955
MY Exports	0	0	0	0		0
MY Exp. to EU	0	0	0	0		0
Industrial Dom. Cons.	0	0	0	0		0
Food Use Dom. Cons.	0	0	0	0		0
Feed Waste Dom. Cons.	1,005	1,033	945	934		955
Total Dom. Cons.	1,005	1,033	945	934		955
Ending Stocks	0	0	0	0		0

Total Distribution	1,005	1,033	945	934		955
1000 MT, PERCENT						

Commodities:

- Oil, Soybean
- Oil, Peanut
- Oil, Sunflowerseed
- Oil, Rapeseed

Production:

OIL PRODUCTION

Post/New MY2011/12 total Mexican oil production is forecast to increase to 1.18 MMT, or 3.3 percent higher than the Post/New estimate for MY 2010/11 (1.14 MMT). This increase is driven by the favorable outlook of the Mexican economy and consumer purchasing power recovery. Industry sources have stated that the crush is determined by domestic demand for vegetable oils. The New/Post estimate of total Mexican oil production for MY2009/10 and MY2010/11 have been revised upward from USDA/Official estimates in accordance with more recent industry information.

Soybean Oil Production

Soybean oil accounts for 58 percent of total oil production while rapeseed oil represents the remaining percentage. The Post/New MY2011/12 soybean oil production estimate forecasts an increase of 2.5 percent. Stronger demand in the cooking oil and the hotel, restaurant, and institutional (HRI) sector is driving demand. Industry sources have indicated that with slightly higher disposable incomes, the Mexican market will witness relatively bullish demand for vegetable oils in MY2011/12 (mainly in the cooking oil sector). Moreover, these sources expect that demand from the hotel and institutional sectors could continue growing in the medium term. The Post/New MY2009/10 and MY2010/11 production estimates of soybean oil have been increased from USDA/Official estimates based on updated information from SAGARPA and industry sources.

Industry sources reported that crushers were operating at between 65 to 70 percent of capacity during 2010 due to better economic conditions. However, large crushers were operating between 80 and 85 percent of capacity and some were operating at an even higher level. The large crushers account for more than 70 percent of total oil production and have been investing in their plants. In addition, the largest crushers are investing in marketing, packaging, and bottling. These crushers expect a positive macroeconomic scenario and are responding to the Government of Mexico decision to increase applied duties for vegetable oils (see 2010 GAIN Report [MX0073](#) *Mexico Increases Import Tariffs on Vegetable Oils*).

Sunflower Oil Production

Sunflower oil production is expected to increase to 6,000 MT in MY2011/12. The production of sunflower oil has remained stable for most of the past few years as alternative oilseeds have been more competitive.

Rapeseed Oil Production

A greater crush is expected in MY2011/12 and could result in production reaching 493,000 MT. Due to an increased crush for MY2009/10 and MY2010/11, the New/Post estimate for rapeseed oil production is increased to 550,000 MT and 481,000 MT, respectively, from USDA/Official estimates. According to industry sources, some crushers prefer to crush rapeseed seed for its higher oil content. Price, however, continues to be the predominant factor in marketing oilseeds as demand is price elastic and companies can substitute some oilseeds for one another.

Edible Oil Prices

Figure 4. Mexico: Wholesale Edible Oil Prices in Pesos for 2004 to 2011

Source: Servicio Nacional de Información de Mercados, SNIIM-SE.

Exchange rate (March 29, 2011) US \$ 1.00 = 11.95 Pesos

Table 11. Mexico: Retail Edible Oil Prices in 2010 and 2011

Variety	Presentation	February 2010	February 2011
Mixed Vegetable Oil	1 Lt. 12 bottle box	194.10	229.25
Soybean	1 Lt. 12 bottle box	240.00	240.00
Corn	Oil Drum 20 Liters	581.50	582.00
Safflower	1 Lt. 12 bottle box	215.00	250.00

Source: Servicio Nacional de Información de Mercados, SNIIM-SE.

Exchange rate (March 28, 2011) US \$ 1.00 = 11.95 Pesos

Consumption:

OIL CONSUMPTION

The Post/New MY2011/12, total oil consumption forecast is estimated to increase by 46,000 MT to 1.40 MMT over the Post/New MY 2010/11 estimate due to greater demand from the HRI and retail sectors.

Moreover, the industrial sector, which represents approximately 30 percent of the total oil market, has continued the trend of cooking with heart-healthy high-oleic vegetable oils that are lower in trans fatty acids. This trend should increase vegetable oil consumption.

Post/New total oil consumption figures for MY2009/10 and MY2010/11 have been revised upward and downward, respectively, from USDA/Official estimates, to reflect recent information from SAGARPA and industry sources.

Soybean Oil Consumption

Soybean oil continues to be the most important vegetable oil in terms of total consumption.

Industry sources state that soybean oil awareness among Mexican consumers has increased significantly over the years. Some years ago, soybean oil was considered a low-quality product by many Mexican consumers. However, through sophisticated and intensive marketing campaigns supported by the

private sector and the USDA cooperator organization responsible for oilseeds, Mexican consumers' perception of soybean oil has changed substantially. Industry sources recommend continuing the education efforts in Mexico so as to increase confidence in and demand for soybean oil.

The Post/New soybean oil consumption estimate for MY2011/12 is forecast to increase 3.5 percent to 875,000 MT. The New/Post soybean oil consumption estimate for MY2009/10 and MY2010/11 has been remain unchanged from USDA/Official data.

Sunflower Seed Oil Consumption

Sunflower oil consumption is expected to increase to 2,000 MT for MY2011/12. The Post/New domestic consumption estimates for MY2009/10 and MY2010/11 have been reduced from USDA/Official estimates to 1,000 MT in each year as imports were lower than anticipated.

Rapeseed Oil Consumption

Assuming more competitive prices in MY2011/12, the Post/New MY2011/12 rapeseed oil consumption forecast is expected to increase to 518,000 MT. This increase is driven by continued economic growth. Due to uncompetitive prices, the New/Post rapeseed oil consumption estimate for MY2010/11 has been reduced from USDA/Official estimates. The Post/New rapeseed consumption estimate for MY2009/10 has been revised upward based on information from industry sources.

Trade:

OIL TRADE

The current economic recovery will continue encouraging oil imports in MY2011/12. Mexico's total oil imports are forecast to increase by approximately 9.3 percent to 235,000 MT in MY2011/12. Imports from the United States are expected to account for 222,000 MT of the total imports in MY2011/12. Imports of soybean oil in MY 2011/12 are again expected to account for 80 percent of total imports.

Rapeseed oil is expected to account for 10.6 percent of vegetable oil imports during MY 2011/12, while sunflower seed oil is expected to account 8.4 percent.

The Post/New total oil import estimate for MY2009/10 and MY2010/11 have been decreased to 234,000 MT and 215,000 MT, respectively, due to higher levels of domestic production and official data from SAGARPA and SHCP. Similarly, the Post/New export figures for MY 2009/10 and MY 2010/11 were adjusted downward according to revised information from SAGARPA and the industry.

Soybean Oil Trade

The Post/New soybean oil import estimate for MY2010/11 was revised downward in response to increased domestic production of soybean oil. Industry sources anticipate that lower global oil ending stocks will continue in MY2011/12 and support high oil prices.

Sunflower Seed Oil Trade

The Post/New MY2011/12 import and export estimates are forecast at 20,000 MT and 24,000 MT, respectively. The Post/New MY2009/10 and MY2010/11 import estimates for sunflower seed oil were adjusted downward, from official USDA/Official estimated based on official and industry information. An increased share of the imports, approximately 74 percent, are from the United States.

Rapeseed Oil Trade

The Post/New rapeseed oil import estimates for MY2009/10 and MY2010/11 were decreased based on official data published by SAGARPA and the industry (for MY2010/11).

Production, Supply and Demand Data Statistics:

Table 12. Mexico: PSD Total Oils

TOTAL OILS	2009/2010		2010/2011		2011/2012	
	Market Year Begin: Sep 2009		Market Year Begin: Sep 2010		Market Year Begin: Sep 2011	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Crush	4,818	4,993	4,863	4,951		5,122
Extr. Rate, 999.9999						
Beginning Stocks	20	20	21	41		23
Production	1,140	1,189	1,124	1,143		1,181
MY Imports	254	234	285	215		235
MY Imp. from U.S.	225	222	231	204		222
MY Imp. from EU	0	0	0	0		0
Total Supply	1,414	1,443	1,430	1,399		1,439
MY Exports	34	26	34	27		28
MY Exp. to EU	0	1	0	1		1
Industrial Dom. Cons.	0	0	0	0		0
Food Use Dom. Cons.	1,354	1,371	1,375	1,344		1,390
Feed Waste Dom. Cons.	5	5	5	5		5
Total Dom. Cons.	1,359	1,376	1,380	1,349		1,395
Ending Stocks	21	41	16	23		16
Total Distribution	1,414	1,443	1,430	1,399		1,439

1000 MT, PERCENT

Table 13. Mexico: PSD Soybean Oil

Oil, Soybean Mexico	2009/2010		2010/2011		2011/2012	
	Market Year Begin: Sep 2009		Market Year Begin: Sep 2010		Market Year Begin: Sep 2011	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Crush	3,510	3,606	3,670	3,740		3,880
Extr. Rate, 999.9999	0	0	0	0		0
Beginning Stocks	5	5	6	25		13
Production	616	633	645	657		682
MY Imports	194	194	205	180		190
MY Imp. from U.S.	194	194	200	180		190
MY Imp. from EU	0	0	0	0		0
Total Supply	815	832	856	862		885
MY Exports	4	2	4	4		4
MY Exp. to EU	0	1	0	1		1
Industrial Dom. Cons.	0	0	0	0		0
Food Use Dom. Cons.	800	800	840	840		870
Feed Waste Dom. Cons.	5	5	5	5		5
Total Dom. Cons.	805	805	845	845		875
Ending Stocks	6	25	7	13		6
Total Distribution	815	832	856	862		885

1000 MT, PERCENT

Table 14. Mexico: PSD Sunflower Seed Oil

Oil, Sunflowerseed Mexico	2009/2010		2010/2011		2011/2012	
	Market Year Begin: Oct 2009		Market Year Begin: Oct 2010		Market Year Begin: Oct 2011	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Crush	8	12	8	11		12
Extr. Rate, 999.9999	0	1	0	0		1
Beginning Stocks	0	0	0	0		0
Production	4	6	4	5		6
MY Imports	30	19	30	19		20
MY Imp. from U.S.	6	14	6	14		15
MY Imp. from EU	0	0	0	0		0
Total Supply	34	25	34	24		26
MY Exports	30	24	30	23		24
MY Exp. to EU	0	0	0	0		0
Industrial Dom. Cons.	0	0	0	0		0
Food Use Dom. Cons.	4	1	4	1		2
Feed Waste Dom. Cons.	0	0	0	0		0
Total Dom. Cons.	4	1	4	1		2
Ending Stocks	0	0	0	0		0
Total Distribution	34	25	34	24		26

1000 MT, PERCENT

Table 15. Mexico: PSD Rapeseed Oil

Oil, Rapeseed Mexico	2009/2010		2010/2011		2011/2012	
	Market Year Begin: Oct 2009		Market Year Begin: Oct 2010		Market Year Begin: Oct 2011	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Crush	1,300	1,375	1,185	1,200		1,230
Extr. Rate, 999.9999	0	0	0	0		0
Beginning Stocks	15	15	15	16		10
Production	520	550	475	481		493
MY Imports	30	21	50	16		25
MY Imp. from U.S.	25	14	25	10		17
MY Imp. from EU	0	0	0	0		0
Total Supply	565	586	540	513		528
MY Exports	0	0	0	0		0
MY Exp. to EU	0	0	0	0		0
Industrial Dom. Cons.	0	0	0	0		0
Food Use Dom. Cons.	550	570	531	503		518
Feed Waste Dom. Cons.	0	0	0	0		0
Total Dom. Cons.	550	570	531	503		518
Ending Stocks	15	16	9	10		10
Total Distribution	565	586	540	513		528

1000 MT, PERCENT

Author Defined:

FAS/Mexico Web Site: We are available at www.mexico-usda.com or visit the FAS headquarters' home page at 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
MX1021	Livestock and Products Semi-Annual	03/17/2011
MX1013	Poultry and Products Semi-Annual	02/14/2011
MX0073	Mexico Increase Import Tariffs on Vegetable Oils	10/15/2010
MX0022	Mexican Oilseeds Production Expected to Increase	04/15/2010
MX8075	Mexico Announces Support Program for Sinaloa White Corn	11/12/2008

Useful Mexican Web Sites: Mexico's equivalent to the U.S. Department of Agriculture (SAGARPA) can be found at www.sagarpa.gob.mx and Mexico's equivalent to the U.S. Department of Commerce (SE) can be found at 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.