

USDA Foreign Agricultural Service

# GAIN Report

Global Agricultural Information Network

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POLICY

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**Date:** 9/24/2013

**GAIN Report Number:** MX 3072

## **Mexico**

### **Sugar Semi-annual**

#### **Production & Exports for MY 2013/14 Estimated Slightly Lower than MY 2012/13**

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#### **Report Highlights:**

The Post/New marketing year (MY) 2013/14 (October/September) sugar production forecast is 6.5 million metric tons – raw value (MMT-RV) based on private preliminary estimates and the MY 2012/13 estimate was revised upward to 7.3 MMT-RV. The Post/New sugar export forecast for MY 2013/14 was revised upward to 2.0 MMT-RV due to high initial stocks. The fructose industry believes it will continue producing HFCS for MY 2013/14 at almost the same levels.

**Commodities:**

Sugar Cane for Centrifugal

Sugar, Centrifugal

**Production:****SUGAR**

The Post/New forecast for sugar production for MY 2013/14 (Oct/Sept) was revised upward to 6.53 MMT-RV based on private sources preliminary estimates. Sources still expect sugar production to be higher than historical levels but lower compared to MY 2012/13 production as low sugar and sugarcane prevalent prices will not incentive more production. Final production will depend on timely maintenance of sugar mills, appropriate cultivation practices, weather throughout the growing season, and harvest conditions. There is no official production forecast yet.

The National Committee for the Sustainable Development of Sugar Cane (CONADESUCA) published its final sugar production estimate for [MY 2012/13](#) and Post/New data has been revised upwards, accordingly, to 7.393 MMT-RV (6.974 MMT actual weight). Sugar production for this cycle has been the highest in the last 5 years due to timely rainfall and good weather conditions. Mill yield estimates were higher, as well, at 11.32 percent compared to 10.92 percent in MY 2011/12. Also, the industry planted and harvested more cane than in the past years. The Post/New sugar production estimate for MY 2011/12 remains unchanged.

**SUGARCANE**

There is still no official Mexican forecast for sugarcane production for MY 2013/14. However, the Post/New forecast for commercial planted and harvested area for MY 2013/14 was revised slightly upward from previous estimates based on information from CONADESUCA. Mills and growers have no incentive to expand production acreage as though yields and weather are expected to be favorable, prices are expected to remain low. The Post/New estimates for planted and harvested area for MY 2012/13 were revised upward based on official sources as weather conditions were better. Cane yields for MY 2012/13 were high at 78.74 MT/Ha compared to 65.69 MT/Ha in MY 2011/12.

A total of 55 mills were actively working during MY 2012/13, across 15 of Mexico's 32 states. Two mills have not been in operation during the last several cycles due to diverse management issues. The cane that would have gone to these mills, however, has been diverted to other mills for processing so overall sugar production has not been affected. The two sugar mills that did not operate were Independencia, and Concepcion, in the state of Veracruz. As previously reported, virtually all sugar cane goes to the production of centrifugal sugar. Mills operate between November and June to coincide with the cane harvest.

## **PRODUCER PRICES**

The constant decline in domestic sugar prices affected sugarcane growers as cane payments are tied to the standard sugar price, which is used as a [reference price](#) to determine sugarcane prices for the marketing year. On June 27, 2013, CONADESUCA announced adjustments to the standard sugar reference price to be used to determine the final cane payment for MY 2012/13 at 6,900 pesos per ton, almost 34% less than in 2011/12.

## **HFCS**

The Mexican high fructose corn syrup (HFCS) industry believes it will continue producing HFCS for MY 2013/14 at almost the same levels as in the previous year. CONADESUCA estimates HFCS domestic production for MY 2012/13 was 470,034 MT dry basis and MY2011/12 was 462,380 MT dry basis. These volumes are almost the maximum capacity of the industry. Industry members indicate that there is no additional HFCS manufacturing capacity being built or expanded in Mexico. Sources report that as long as HFCS prices remain competitive, it is easier and more financially prudent to import the remainder of HFCS demand. However, due to lower sugar prices prevalent in the domestic market, the bottling industry is increasing sugar consumption.

The Mexican HFCS industry produces fructose with domestic and imported U.S. yellow corn. According to IDAQUIM, the industry group that represents HFCS producers, this industry consumes about two million tons of yellow corn of which 80 to 90 percent is imported. The United States will remain the main supplier of corn to Mexico.

## **SUGAR AND HFCS CONSUMPTION**

Due to the current low pricing trends for sugar, the Post/New forecast for MY 2013/14 sugar consumption was revised upward to 4.7 MMT-RV, the same level as estimated for MY 2012/13. The sugar industry believes that bottlers increased consumption in MY 2012/13 and the trend is expected to be similar for MY 2013/14. Sugar consumption for MY 2012/13 was also revised upward from previous estimates to 4.7 MMT-RV, higher than CONADESUCA's data, as the industry believes low prices has resulted in increased sugar consumption. The Post/New domestic sugar consumption estimate for MY 2011/12 remains unchanged.

Based upon HFCS consumption trends for MY 2011/12 and 2012/13, Post does not expect MY MY 2013/14 consumption to increase over 1.70 MMT dry basis. According to new data, HFCS consumption for MY 2012/13 was revised upward to 1.69 MMT dry basis from previous estimates of 1.54 MMT dry basis. This volume represents about 28 percent of total domestic sweeteners consumption. CONADESUCA estimated HFCS consumption for MY 2011/12 at 1.720 MMT dry basis.

## **TRADE**

The sugar sector remains concerned with domestic sugar oversupplies and falling international sugar prices. The industry and the Mexican government have been looking to export sugar so as to stop

falling prices. Sugarcane growers have demanded since January 2013 that surplus sugar must be exported in order to stop the downward price pressure. The industry estimates that exports should be about 2.5 MMT-RV for MY 2012/13, but Post expects shipping logistics for the record crop may force some exports to roll into the next marketing year. Therefore, the Post/New estimate for MY 2012/13 sugar exports was revised upward to only 2.12 MMT-RV from previous estimates due to an extraordinary sugar production and the challenges of moving this product to market. Through August 2013, approximately 1.7 MMT-RV of sugar have been exported to the United States and about 152,000 MT-RV to Canada, Burkina Faso, Colombia, the Netherlands, Chile and the Dominican Republic.

The Post/New sugar export forecast for MY 2013/14 was revised upward to 2.0 MMT-RV from previous estimates due to high initial stocks. This number is tentative and will tend to change depending on production and the extent of substitution between sugar and alternative domestic and imported sweeteners (HFCS). Sugar export estimates for MY 2011/12 remain unchanged from the previous estimate.

The Post/New sugar import forecast for MY 2013/14 was revised upward to 200,000 MT-RV. A large portion of these imports could be used to cover the needs of the Mexican Sugar Re-export Program industries (IMMEX<sup>1</sup>). IMMEX sugar users will likely substitute more domestic sugar for imported sugar, compared to the previous years when imports for IMMEX were larger. The Post/New sugar import estimate for MY 2012/13 was revised upward to 210,000 MT-RV to cover IMMEX needs. Sugar imports for MY 2011/12 remain unchanged from the previous estimate.

Sugar use under the “other disappearance” category is mainly for the Mexican re-export program (IMMEX). The Post/New forecast for MY 2013/14 for sugar use under IMMEX remains unchanged from previous estimates. Post/New estimates for sugar use under IMMEX for MY 2011/12 and MY 2012/13 also remain unchanged from previous estimates. The IMMEX program allows sugar to be sold to Mexican food manufacturers as a raw material for further processing.

<sup>[1]</sup> *Decree for the Development of the Manufacturing, Maquila and Export Services Industry. GAIN Report [MX8035](#)*

## **HFCS Imports**

The HFCS import forecast for MY 2013/14 is expected to be similar to that of MY 2012/13, as sugar prices remain low. Imports of HFCS for MY 2012/13 are estimated at 1.244 MMT dry basis. This is a small percentage decrease compared to MY 2011/12 imports of 1.282 MMT dry basis. Post expects that some industries using HFCS, like the soft-drink bottling industry, will lower their use of fructose and increase their use of sugar.

## **STOCKS**

The Post/New sugar ending stock forecast for MY 2013/14 was revised downward to 1.08 MMT-RV. However, sugar prices and the level of exports will determine the final data. The Post/New sugar ending stock estimate for MY 2012/13 is likely to reach the high level of 1.4 MMT-RV, although CONADESUCA's estimates are higher. Sugar ending stocks for MY 2011/ remain unchanged from previous estimates.

## POLICY

On September 8, 2013, a Tax Reform Initiative was proposed to Congress whereby, among other subjects, a special tax on sweetened soda drinks is being proposed to help combat obesity and the incidence of being overweight in Mexico. The Soda Drink Association, the Sugar Chamber and the Sugarcane National Association are against this tax of almost \$1.00 peso/liter (US \$0.076/liter) as they indicate that being overweight derives more from a sedentary lifestyle and bad eating habits. However, soda companies have been responding to the obesity campaign, as three years ago they stopped selling soda in schools and are no longer present in the places frequented by children. Sweetened soda drinks already have a value added tax of 16 percent. This initiative will also affect juices, nectars, sweetened coffees and teas, and energy drinks.

## INFORMATION RESOURCES

The National Committee for the Sugar Cane Agroindustry ([CONADESUCA](#))

The National Chamber for the Sugar and Alcohol Industries ([CNIAA](#))

The National Service of Market Information ([SNIIM-ECONOMIA](#))

## STATISTICAL TABLES

**Table 1. Mexico: Centrifugal Sugar PS&D**

Sugar, Centrifugal Mexico	2011/2012		2012/2013		2013/2014	
	Market Year Begin: Oct 2011		Market Year Begin: Oct 2012		Market Year Begin: Oct 2013	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Beginning Stocks	806	806	1,024	1,024	1,230	1,430
Beet Sugar Production	0	0	0	0	0	0
Cane Sugar Production	5,351	5,351	6,588	7,393	6,240	6,530
Total Sugar Production	5,351	5,351	6,588	7,393	6,240	6,530
Raw Imports	0	0	0	0	0	0
Refined Imp.(Raw Val)	505	505	145	210	145	200
Total Imports	505	505	145	210	145	200
Total Supply	6,662	6,662	7,757	8,627	7,615	8,160
Raw Exports	0	0	0	0	0	0
Refined Exp.(Raw Val)	985	985	1,715	2,120	1,610	2,000
Total Exports	985	985	1,715	2,120	1,610	2,000
Human Dom. Consumption	4,288	4,288	4,452	4,717	4,516	4,717
Other Disappearance	365	365	360	360	360	360
Total Use	4,653	4,653	4,812	5,077	4,876	5,077
Ending Stocks	1,024	1,024	1,230	1,430	1,129	1,083
Total Distribution	6,662	6,662	7,757	8,627	7,615	8,160

1000 MT

**Table 2. Mexico: Sugar Cane for Centrifugal PS&D**

Sugar Cane for Centrifugal Mexico	2011/2012		2012/2013		2013/2014	
	Market Year Begin: Oct 2011		Market Year Begin: Oct 2012		Market Year Begin: Oct 2013	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	726	726	786	833	800	835
Area Harvested	704	704	767	780	760	770
Production	46,232	46,232	54,796	61,438	53,000	54,000
Total Supply	46,232	46,232	54,796	61,438	53,000	54,000
Utilization for Sugar	46,232	46,232	54,796	61,438	53,000	54,000

Utilizatn for Alcohol	0	0	0	0	0	0
Total Utilization	46,232	46,232	54,796	61,438	53,000	54,000
1000 HA, 1000 MT						

**Table 3. Mexico: Average Wholesale Sugar Prices in Mexico City  
MX Pesos per 50 Kilograms – Bulk (CIF Basis)**

Month	Standard			Refined		
	2012	2013	Percent Change	2012	2013	Percent Change
January	585.30	371.63	(36.50)	693.67	434.17	(37.40)
February	555.58	393.50	(29.17)	664.33	450.83	(32.13)
March	523.88	391.00	(23.36)	622.50	458.75	(26.30)
April	516.97	341.73	(33.89)	611.92	452.40	(26.06)
May	566.61	309.63	(45.35)	666.67	410.58	(38.41)
June	513.06	343.13	(33.12)	613.33	400.17	(34.75)
July	490.57	337.80	(24.56)	604.53	393.80	(34.85)
August	447.78	366.92	(18.05)	582.08	398.75	(31.49)
September	416.21	N/A	N/A	543.75	N/A	N/A
October	422.33	N/A	N/A	527.00	N/A	N/A
November	397.00	N/A	N/A	495.17	N/A	N/A
December	383.09	N/A	N/A	475.55	N/A	N/A

Source: Servicio Nacional de Información de Mercados [SNIIM-ECONOMIA](#)

**Table 4. Mexico: Monthly Exchange Rate  
Averages for 2010-2013  
MX Pesos per U.S. \$1.00**

	2010	2011	2012	2013
<b>January</b>	12.80	12.13	13.46	12.71
<b>February</b>	12.95	12.06	12.79	12.69
<b>March</b>	12.59	12.00	12.75	12.54
<b>April</b>	12.23	11.73	13.05	12.21
<b>May</b>	12.71	11.64	13.60	12.95
<b>June</b>	12.72	11.80	13.94	12.94
<b>July</b>	12.65	11.67	13.37	12.77
<b>August</b>	13.15	12.22	13.18	13.38
<b>September</b>	12.84	12.97	12.95	13.00*
<b>October</b>	12.44	13.49	12.88	
<b>November</b>	12.33	13.67	13.08	
<b>December</b>	12.39	13.73	12.86	
<b>Annual Avg</b>	<b>12.65</b>	<b>12.42</b>	<b>13.15</b>	

\*As of September 19, 2013

Source: Mexican Federal Register

Note: Monthly rates are averages of daily exchange rates from the Banco de Mexico

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

<b>Report Number</b>	<b>Subject</b>	<b>Date Submitted</b>
<a href="#">MX 3033</a>	Sugar Annual Report	04/15/2013
<a href="#">MX 3004</a>	Sugarcane Workers Protest Falling Prices	01/24/2013
<a href="#">MX 2076</a>	MY 2012-13 Sugarcane Reference Price up Slightly	10/30/2012
<a href="#">MX 2068</a>	2012 Sugar Semi-Annual Report	09/27/2012
<a href="#">MX 2057</a>	Mexico Takes Steps to Privatize State-Owned Sugar Mills	08/31/2012