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Mexico

Grain and Feed

Annual - Revised

2001

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Report Highlights:
Continued strong demand for grains and feed because of the healthy economy will likely increase Mexico's imports for MY 2001/02. Also, consumption of rice and dry beans is forecast to remain robust, reflecting primarily population growth. Production for rice, corn, sorghum and dry beans is projected to increase assuming adequate moisture for planting and mostly favorable weather during the crop's development.

Includes PSD changes: Yes
Includes Trade Matrix: Yes
Annual Report
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SECTION I. SITUATION AND OUTLOOK

Economic Situation and Outlook: Mexico's 2001 economic prospects augur continuing growth. It will be a good year, but not exceptional, because of the slowdown of the U.S. economy. Therefore, Mexico's exports to the U.S. will likely drop. The Fox Administration faces several challenges that call for fundamental structural changes. Appropriately implemented, they would enhance Mexico's ability to withstand the harmful effects of external economic shocks.

The outlook for the Mexican economy for 2001 remains positive although real growth may be a little more than half of what it was in 2000. Since final domestic demand and exports will remain strong, GDP growth could average 3.8 percent in 2001. This performance would be a far cry from the unsustainable 7.1 percent real growth recorded in 2000. Inflation in 2001 may be slightly lower than it was in 2000. The average was 8.9 percent last year, and forecasters are predicting 7.9 percent for 2001.

Mexico's economic growth depends on its export market, essentially the United States. Ninety percent of Mexico's exports, including half of its manufacturing output, are exported to the United States. In 2000, Mexico exported US$166.4 billion, a 22.0 percent increase over 1999. Exports may increase by 11.0 percent in 2001, reflecting the slowdown of the U.S. economy. Mexico's most dynamic export sector, the maquiladora plants, assembles goods for the U.S. market. The import needs of the sector explain the 22.9 percent in imports in 2000, to US$174.4 billion. Imports may rise 18.0 percent in 2001, to US$206 billion.

Personal consumption continues to fuel Mexico's economic growth. Demand for goods and services, including imports, grew by about ten percent in real terms in 2000. That figure may average eight percent in 2001. Since the U.S. economic slowdown will force exporters to reduce their margins, they will try to keep costs down, including labor costs. The government has proposed a value-added tax on exempt products and services. All these factors will crimp personal demand in 2001.

Mexico's external accounts may cause concern in 2001. In 2000, its current account deficit totaled US$19 billion, 3.3 percent of GDP. But for high oil prices, that deficit might have been 4.7 percent of GDP in 2000. The current account deficit rose in each of the last six years except 1998. Forecasters agree that the decline in U.S. economic growth, and possibly in international oil prices, will again widen Mexico's current account deficit in 2001. The effect could be a 11.0/1.0 peso/US$ exchange rate by the end of the year, about thirteen percent depreciation relative to the average rate of 9.5 in 2000. Since Mexico's exports enabled it to accumulate US$2.8 billion in international reserves (US$33.6 billion) in 2000, a less dynamic export environment and a lower level of foreign short- and long-term capital inflows, especially from the United States, could result in a stable reserve level in 2001.

The Fox Administration aims to pursue conservative fiscal and monetary policies. It will encounter difficulty in achieving a balanced budget in the absence of legislative support. In December 2000, the Fox Administration proposed a fiscal deficit of 0.5 percent of GDP in 2001. Congress decided that the target should be 0.65 percent. Mexico's fiscal deficit was 1.0 percent

of GDP in 2000.

The fiscal deficit approved by the Congress is complicating the Fox Administration's task of achieving sustainable 7.0 percent economic growth and measurable improvement in living standards, which President Fox promised during the presidential campaign. Financing such a deficit puts upward pressure on domestic interest rates. The result will be lower domestically driven fixed capital investment, with reduced employment and personal income. At the same time, higher domestic interest rates attract foreign capital. Such flows, even if neutralized, strengthen the peso and reduce the competitiveness of Mexican exports while making imports more attractive. Without fundamental change, the net effect could be a run on the peso, such as what happened in December 1994. Avoiding calls for major structural changes in public finance, in labor legislation, and in the energy sector, the opposition-dominated Congress seems reluctant to approve the necessary changes.

Mexico's ability to absorb the effects of the U.S. economic slowdown, and possibly of a fall in oil prices, will determine whether Mexico will maintain buoyant economic growth during Fox's administration. Mexico's expansion of trade with its non-NAFTA partners could mitigate the effects of the U.S. slowdown. In particular, Mexico's free trade agreement with the European Union could initiate robust growth in Mexican exports to Europe. Europe's demand for manufactured imports could be critical to Mexico in the event of a prolonged economic downturn in the United States, given that Mexico's oil exports account for less than 10.0 percent of its total exports.

Oil-related revenues remain important to Mexico. Since they account for about 30 percent of government budgetary revenue, the Government of Mexico (GOM) has a strong interest in cooperating with the OPEC producers to ensure that the price of oil remains at what they consider an acceptable level. The Government assumes that Mexico will obtain US$18.0 per barrel for its oil exports in 2001 and that it will export an average of 1.750 million barrels per day. The government's yield will be about US$11.5 billion in 2001. (Source: Embassy's Economics Section: JPG 012901)

Grain and Feed Situation and Outlook: Mexico´s growth in income and population are increasing internal demand for grains as well as poultry and to a lesser extent hog, beef and dairy products. At the same time, despite efforts by the GOM to increase production of several grains, unpredictable weather and scarce water supplies are expected to leave Mexico dependent on imports, mainly from the U.S., for a substantial percentage of their needs into the foreseeable future.

Wheat: Total Mexican wheat production for MY 2001/02 (Jul-Jun) is forecast downward to 3.20 million metric tons (MMT) because of limited water supplies in the principle producing state of Sonora, lower yields and decreased area planted. Imports for MY 2001/02 are expected to increase from the previous year's estimate, reaching 2.65 MMT, due to an expected increase in consumption. The MY 2000/01 import estimate has been revised upward from our previous estimate based on the need to maintain ending stocks at a level to offset the expected drop in production the following year. The MY 1999/00 wheat production estimate has been revised downward slightly to reflect final government data.

Rice: Mexican rice production for MY 2001/02 (Oct-Sep) is forecast to remain unchanged from the previous year's revised estimate to 266,000 MT (milled) due to uncertainty regarding federal and state government assistance programs. For MY 2000/01, rice production has been revised downward due to less area planted and lower yields from reduced inputs. The production estimate for MY 1999/00 has been decreased to reflect final government data. Imports in MY 2001/02 are forecast downward based on large carry over stocks. The import estimate for MY 1999/00 has been increased to reflect final government data.

Corn: The forecast for Mexican corn production for MY 2001/02 (Oct-Sep) has been raised to 19.2 MMT due to a return to more normal rainfall after last year's drought, additional area planted, and expected increased spending on agricultural support programs by the new Fox government. Production estimates for MY 2000/01 have been revised downward due to dry weather which reduced yields used for the original estimate. In addition, this reduction reflects the importance that timely rains play in Mexican agricultural production. The production estimate for MY 1999/00 was slightly increased due to more recent official information. For MY 1999/00 and MY 2000/01, the import estimates have been increased to 5.0 MMT and 5.8 MMT, respectively, based on Mexican official data and industry information. Imports are forecast to remain at 5.8 MMT based on the increase in domestic production. The MY 2001/02 import quota for U.S. corn is 3.074 MMT and will be administered as before, with the government allocating "cupos" (import permits) to importers and industry. Industry sources stated, however, that Mexican authorities intend to permit only yellow corn imports, not white corn, under the 2001 quota for industrial and feed uses. Approximately 20 percent of Mexico´s corn imports under "cupos" have been filled with white corn. However, Post expects that in-quota imports of white corn will be allowed, but out of quota imports of white corn could drop because of an expected increase in the tariff.

Sorghum: Total Mexican sorghum production in MY 2001/02 (Oct/Sept) is forecast to increase 3 percent to 6.200 MMT, largely because of strong demand from the livestock sector. The outlook for the livestock sector, especially poultry and hogs, continues to brighten and consequently increase sorghum demand. The production estimates for MY 1999/00 and MY 2000/01 have been revised downward according to both official government data and private sources, and reflect continued dry weather. MY 2000/01 import estimates have been raised to 4.3 MMT due to lower than previously estimated domestic production and greater demand than estimated earlier. Imports are forecast to remain robust at 4.8 MMT in MY 2001/02.

Dry Edible Beans: During MY 2001/02 (Oct-Sept) dry bean production is forecast to rebound slightly to 1.1 MMT due to expected normal weather conditions and improved yields. Production estimates for MY 1999/00 and MY 2000/01 have been lowered, which reflects dry weather conditions and new official information from SAGARPA. Imports for MY 2001/02 are expected to be up based on expanding demand, which reflects basically the population growth. Import estimates for MY 1999/00 and 2000/01 have been revised downward according to preliminary official data and reflecting lower consumption.

Marketing: U.S. exporters and other parties interested in obtaining information about marketing the grains covered in this report are advised to contact FAS's U.S. Agricultural Trade Office (ATO) in Mexico City. Its primary mission is to assist in the market development and promotion

of U.S. food and agricultural products in the Mexican market. There are a wide variety of activities and services that the ATO, along with U.S. private sector representatives called " Market Development Cooperators," make available to help develop U.S. agricultural interests in Mexico. The Cooperator groups that represent the U.S. food and feed grains industry are: U.S. Wheat Associates, Inc.; the USA Rice Federation; the U.S. Grains Council; and the National Dry Bean Council. They can provide information on all aspects of U.S. grain trading and use, including sourcing, purchasing and feeding. Technical help in the areas of end-use, processing and technology, as well as education on the United States as a supplier, are part of the U.S. grain Cooperators' programs.

Offices of U.S. Wheat Associates and the U.S. Grains Council are located with the ATO at Jaime Balmes 8-201, Col. Polanco, 11510 Mexico, D.F. They can be reached by telephone at 011-52-5282-0973, or by fax at 011-52-5282-0968. Contact with USA Rice Federation and the National Dry Bean Council can be made via the ATO office by telephone or fax at 011-52-5209-9100, ext. 4750, 51, 52 and 011-52-5202-0528, respectively. The ATO email address is http://www.atomexico.gob.mx.

For more information on the U.S. Grains Council and the services they offer, visit their website at http://www.grains.org.

SECTION II. STATISTICAL TABLES

PSD Table		
Country:	**Mexico**	
Commodity:	**Wheat**	(1000 HA) (1000 MT)

	Revised 1999		Preliminary 2000		Forecast 2001	
	Old	New	Old	New	Old	New
Market Year Begin	**07/1999**		**07/2000**		**07/2001**	
Area Harvested	700	638	750	682	0	659
Beginning Stocks	700	700	600	600	0	500
Production	3100	3050	3300	3300	0	3200
TOTAL Mkt. Yr. Imports	2640	2640	2400	2450	0	2650
Jul-Jun Imports	2640	2640	2400	2450	0	2650
Jul-Jun Import U.S.	0	0	0	0	0	0
TOTAL SUPPLY	6440	**6390**	6300	**6350**	0	**6350**
TOTAL Mkt. Yr. Exports	403	403	500	500	0	500
Jul-Jun Exports	403	403	500	500	0	500
Feed Dom. Consumption	200	200	200	200	0	200
TOTAL Dom. Consumption	5437	5387	5350	5350	0	5400
Ending Stocks	600	600	450	500	0	450
TOTAL DISTRIBUTION	6440	**6390**	6300	**6350**	0	**6350**

Wheat Production Cost Budget State of Sonora (Pesos per Hectare)			
Item	Fall/Winter 99/00	Fall/Winter 00/01	% Change

Land Preparation	916.00	1,074.00	17.2
Planting	456.00	507.00	11.1
Fertilizing	1,187.00	1,431.00	20.5
Irrigation	745.00	1,077.00	44.5
Cultural Practices	96.00	116.00	20.8
Control of Disease	1,231.00	1,429.00	16.0
Harvest	653.00	828.00	26.7
Other Costs	913.00	1,095.50	19.9
Total	6,197.00	7,557.50	21.9
Average Yield	5.7	6.0	5.2
Price	1,450.00	1,550.00	6.8
Gross Income	8,065.00	9,300.00	15.3
Total Cost	6,197.00	7,557.50	21.9
Profit	1,868.00	1,742.50	(7.2)
Cost of Production/MT	1,087.19	1,259.58	15.8

Exchange rate (March 3, 2001) US$1.00 = $9.65
Source: Secretaria de Agricultura, Ganaderia, Desarrollo Rural, Pesca y Alimentacion (SAGARPA)

Wheat Production Cost Budget
State of Baja California
(Pesos per Hectare)

Item	Fall/Winter 99/00	Fall/Winter 00/01	% Change
Land Preparation	1,500.00	1,625.00	8.3
Planting	676.00	686.00	1.4
Fertilizing	1,675.90	1,873.00	11.7
Irrigation	964.24	967.90	0.3
Cultural Practices	N/A	N/A	
Control of Disease	1,240.00	1,077.50	(15.1)
Harvest	940.00	990.00	5.3
Other Costs	1,613.09	1,423.78	(13.2)
Total	8,609.23	8,643.18	0.3
Average Yield	6.3 MT	6.3	
Price	1,450.00	1,550.00	6.8
Gross Income	9,135.00	9,765.00	6.8
Total Cost	8,609.23	8,643.18	0.3
Profit	525.77	1,121.82	113.3
Cost of Production/MT	1,366.54	1,371.93	0.3

Exchange rate (March 3, 2001) US$1.00 = $9.65
Source: (SAGARPA)

WHEAT Matrix			UNITS: ***Metric Tons***		
EXPORTS TO:	1999	2000*	**IMPORTS FROM:**	1999	2000*

U.S.	47,726	21,607	U.S.	1,670,977	1,566,616
OTHER			OTHER		
SWITZERLAND	0	410,475	CANADA	778	648.188
ALGERIA	0	26,000			
TURKEY	0	75			
NETHERLANDS	102,000	0			
ITALY	21,000	0			
VENEZUELA	13,200	0			
TOTAL OF OTHER			TOTAL OF OTHER	777.855	648.188
OTHERS NOT LISTED	0	0	OTHERS NOT LISTED	0	0
GRAND TOTAL	183,926	731,985	GRAND TOTAL	2,448,832	2,214,804

Source: Banco Nacional de Comercio Exterior (Bancomext)
* Data as of October 2000

PSD Table			
Country:	**Mexico**		
Commodity:	**Rice, Milled**	(1000 HA) (1000 MT)	
	Revised 1999	**Preliminary 2000**	**Forecast 2001**

	Old	New	Old	New	Old	New
Market Year Begin	**10/1999**		**10/2000**		**10/2001**	
Area Harvested	90	84	90	87	0	90
Beginning Stocks	119	255	156	221	0	238
Milled Production	300	269	300	267	0	267
Rough Production	450	403	450	400	0	400
Milling Rate(.9999)	6667	6667	6667	6667	0	6667
TOTAL Imports	365	459	410	410	0	400
Jan-Dec Imports	365	459	410	410	0	400
Jan-Dec Import U.S.	0	0	0	0	0	0
TOTAL SUPPLY	784	**983**	866	**898**	0	**905**
TOTAL Exports	3	4	3	0	0	0
Jan-Dec Exports	3	4	3	0	0	0
TOTAL Dom. Consumption	625	758	640	660	0	680
Ending Stocks	156	221	223	238	0	225
TOTAL DISTRIBUTION	784	**983**	866	**898**	0	**905**

RICE., MILLED			UNITS: ***Metric Tons***		
EXPORTS TO:	1999	2000*	**IMPORTS FROM:**	1999	2000*
U.S.	4,257	231	**U.S.**	40,707	51,056

OTHER			OTHER		
EL SALVADOR	61	0	URUGUAY	22	5,189
			GUYANA	2,000	0
TOTAL OF OTHER	61	0	TOTAL OF OTHER	2,022	5,189
OTHERS NOT LISTED	5	0	OTHERS NOT LISTED	15	18
GRAND TOTAL	4,323	231	**GRAND TOTAL**	42,744	56,263

Source: Banco Nacional de Comercio Exterior (Bancomext)
* Data as of October 2000

RICE., ROUGH (PADDY)			UNITS: ***Metric Tons***		
EXPORTS TO:	1999	2000*	**IMPORTS FROM:**	1999	2000*
U.S.	24	0	**U.S**	359,894	457,555
OTHER			OTHER	0	0
TOTAL OF OTHER	0	0	TOTAL OF OTHER	0	0
OTHERS NOT LISTED	0	0	OTHERS NOT LISTED	0	0
GRAND TOTAL	24	0	**GRAND TOTAL**	359,894	457,555

Source: Banco Nacional de Comercio Exterior (Bancomext)
* Data as of October 2000

PSD Table						
Country	**Mexico**					
Commodity	**Corn**			(1000 HA)(1000 MT)		
	Revised1999		**Preliminary2000**		**Forecast2001**	

	Old	New	Old	New	Old	New
Market Year Begin	**10/1999**		**10/2000**		**10/2001**	
Area Harvested	7700	7255	8000	7508	0	7680
Beginning Stocks	1850	1850	2335	2721	2320	1866
Production	19000	19240	18500	17694	0	19200
TOTAL Mkt. Yr. Imports	4911	5045	5800	5800	0	5800
Oct-Sep Imports	4911	5045	5800	5800	0	5800
Oct-Sep Import U.S.	4910	4893	0	5600	0	5600
TOTAL SUPPLY	25761	**26135**	26635	**26215**	2320	**26866**
TOTAL Mkt. Yr. Exports	15	3	15	2	0	2
Oct-Sep Exports	15	3	15	2	0	2
Feed Dom. Consumption	8050	8050	9100	8370	0	8700
TOTAL Dom. Consumption	23411	23411	24300	24347	0	25300
Ending Stocks	2335	2721	2320	1866	0	1564
TOTAL DISTRIBUTION	25761	**26135**	26635	**26215**	0	**26866**

CORN Matrix			UNITS: ***Metric Tons***		
EXPORTS TO:	1999	2000*	**IMPORTS FROM:**	1999	2000*
U.S.	5,453	1,324	**U.S.**	5,469,922	4,480,418
OTHER			OTHER		

COLOMBIA	6,000	0	ARGENTINA	24,588	0
EL SALVADOR	3	415			
TOTAL OF OTHER	6,003	415	TOTAL OF OTHER	24,588	0
OTHER NOT LISTED	115	344	OTHER NOT LISTED	0	0
GRAND TOTAL	11,568	2,083	**GRAND TOTAL**	5,494,510	4,480,418

Source: Global Trade Information Services. Inc. "World Trade Atlas" Mexico Edition.
*As of October 2000.

Corn Production Cost Budget State of Jalisco (Pesos per Hectare)	
	2000 Spring/Summer Crop
Land Preparation	480
Planting	460
Fertilizing	980
Cultural Practices	660
Control of Diseases	500
Harvest	660
Miscellaneous	300
TOTAL	4,040

Exchange Rate (March 3, 2001) US$1.00 = $9.65
Source: SAGARPA

PSD Table						
Country	**Mexico**					
Commodity	**Sorghum**			(1000 HA)	(1000 MT)	
	Revised1999		**Preliminary2000**		**Forecast2001**	

	Old	New	Old	New	Old	New
Market Year Begin	**10/1999**		**10/2000**		**10/2001**	
Area Harvested	2000	1973	2000	1927	0	1930
Beginning Stocks	1214	1214	1187	1181	987	1191
Production	6400	6394	6400	6010	0	6200
TOTAL Mkt. Yr. Imports	4773	4773	3500	4300	0	4800
Oct-Sep Imports	4773	4773	3500	4300	0	4800
Oct-Sep Import U.S.	4773	4773	0	4300	0	4800
TOTAL SUPPLY	12387	**12381**	11087	**11491**	987	**12191**
TOTAL Mkt. Yr. Exports	0	0	0	0	0	0
Oct-Sep Exports	0	0	0	0	0	0
Feed Dom. Consumption	11200	11200	10100	10300	0	10700
TOTAL Dom. Consumption	11200	11200	10100	10300	0	10700
Ending Stocks	1187	1181	987	1191	0	1491
TOTAL DISTRIBUTION	12387	**12381**	11087	**11491**	0	**12191**

SORGHUM Matrix			**UNITS: *Metric Tons***		
EXPORTS TO:	**1999**	**2000***	**IMPORTS FROM:**	**1999**	**2000***
U.S.	**83**	**11**	**U.S.**	**4,566,257**	**4,305,153**

OTHER			**OTHER**		
VENEZUELA	**500**	**0**			
NICARAGUA	**105**	**0**			
GUATEMALA	**6**	**0**			
TOTAL OF OTHER	**611**	**0**	**TOTAL OF OTHER**	**0**	**0**
OTHER NOT LISTED	**0**	**0**	**OTHER NOT LISTED**	**0**	**0**
GRAND TOTAL	**694**	**11**	**GRAND TOTAL**	**4,566,257**	**4,305,153**

Source: Global Trade Information Services. Inc. "World Trade Atlas" Mexico Edition.
*As of October 2000.

Sorghum Production Cost Budget State of Jalisco (Pesos per Hectare)	
	2000 Spring/Summer Crop
Land Preparation	940
Planting	1,200
Fertilizing	875
Cultural Practices	795
Control of Diseases	350
Harvest	1,175
Miscellaneous	-
TOTAL	5,335

Exchange Rate (March 3, 2001) US$1.00 = $9.65
Source: SAGARPA

PSD Table			
Country	**Mexico**		
Commodity	**Beans**	(1000 HA)(1000 MT)	
	Revised1999	**Preliminary2000**	**Forecast2001**

	Old	New	Old	New	Old	New
Market Year Begin	**10/1999**		**10/2000**		**10/2001**	
Area Harvested	1565	1562	1860	1733	0	1890
Beginning Stocks	198	198	11	115	38	29
Production	935	893	1170	928	0	1100
TOTAL Mkt. Yr. Imports	150	79	170	90	0	95
Jul-Jun Imports	150	79	170	90	0	95
Jul-Jun Import U.S.	140	78	160	85	0	90
TOTAL SUPPLY	1283	**1170**	1351	**1133**	38	**1224**
TOTAL Mkt. Yr. Exports	2	5	3	4	0	4
Jul-Jun Exports	2	5	3	4	0	4
Feed Dom. Consumption	0	0	0	0	0	0
TOTAL Dom. Consumption	1270	1050	1310	1100	0	1150
Ending Stocks	11	115	38	29	0	70
TOTAL DISTRIBUTION	1283	**1170**	1351	**1133**	0	**1224**

BEANS Matrix			UNITS: ***Metric Tons***		
EXPORTS TO:	1999	2000*	**IMPORTS FROM:**	1999	2000*
U.S.	3,989	4,144	**U.S.**	58,146	37,630

OTHER			OTHER		
SPAIN	153	504	CANADA	1,736	665
FRANCE	0	120	CHINA	112	60
CUBA	373	120			
TOTAL OF OTHER	526	744	TOTAL OF OTHER	1,848	725
OTHER NOT LISTED	174	9	OTHER NOT LISTED	1	0
GRAND TOTAL	4,689	4,897	**GRAND TOTAL**	59,995	38,355
NOTE: H.S. *0713* CONSOLIDATES SUBFRACTIONS *3100, 3101, 3302 & 3399*.					

Source: Global Trade Information Services. Inc. "World Trade Atlas" Mexico Edition.
*As of October 2000.

Dry Beans Production Cost Budget State of Zacatecas (Pesos per Hectare)	
	2000 Spring/Summer Crop
Land Preparation	630
Planting	654
Fertilizing	567
Cultural Practices	300
Control of Diseases	183
Harvest	1,891
Miscellaneous	-
TOTAL	4,225

Exchange Rate (March 3, 2001) US$1.00 = $9.65
Source: SAGARPA

SECTION III. NARRATIVE ON SUPPLY, DEMAND, POLICY, & MARKETING

WHEAT

Production

Total Mexican wheat production for marketing year 2001/02 (Jul-Jun) is forecast downward from the previous year's estimate to 3.20 million metric tons due to limited water in the principle wheat producing state of Sonora, lower yields and decreased area planted. This forecast is tempered, however, by the possibility that water availability may continue to be very scarce, therefore, some northern-wheat area may move to safflower and chickpeas (garbanzo). Wheat production for MY 2000/01 remains unchanged from the previous estimate.

Note: With the exception of the current and out years, this report has incorporated official Mexican Government statistics for historical purposes. Thus, the MY 1999/00 production estimate has been revised downward to 3.05 MMT.

Consumption

The consumption for MY 2001/02 is forcast slightly upward from the previous year due to expected improvement in consumer demand for bread products fueled by population growth and improvement in consumer purchasing power. Due to current demand and low international prices, an estimated 15 to 20 percent of durum wheat production will go into domestic livestock feed channels in MY 2000/01. For MY 1999/00, the consumption estimate has been lowered to reflect final government data.

Trade

Total wheat imports in MY 2001/02 are forecast to increase 200,000 MT to 2.65 MMT. This increase is a result of expected growth in domestic consumption due to improved consumer purchasing power and increased population.

As before, price competitiveness during MY 2001/02 will, in large part, decide from whom Mexico imports. In MY 2000/01, Mexico imported wheat from only the U.S. and Canada. This, again, will likely be the case in MY 2001/02. The availability of GSM-102 credit guarantees continues to be an important incentive for Mexican millers to purchase U.S. wheat, even though Canada normally offers similar terms.

News about Monsanto's development of the first genetically engineered variety of wheat for sale to farmers is causing controversy around the globe, even though it is two to four years away from coming onto the market. Many countries, including Mexico, are reluctant to accept GM wheat because, in part, anti-biotech groups claim GMO's are harmful to the environment and to human health.

Stocks

Mexico's ending stocks are forecast to decrease to 450,000 MT in MY 2001/02 due to an expected increase in consumption. The MY 2000/01 estimated ending stock position has been revised upward due to stagnant domestic consumption and higher carry over stocks from the

previous year.

Policy

Mexican import duties are classified according to the Standard International Harmonized System, as established under the previsions of the North America Free Trade Agreement (NAFTA). Sub-Chapter 10.01 of the Mexican Tariff System contains the duties for wheat and wheat flour. In total, there are two specific tariff codes related to this product category that are used for imports. Mexico's 2001 NAFTA tariff rate for both wheat and flour is 3 percent. The non-NAFTA tariff rate is 67 percent for wheat and 15 percent for flour. With the exception of wheat from the Mexicali area of Baja California, Mexican wheat is not allowed into the U.S. for phytosanitary reasons, primarily Karnal bunt (Tilletia Indica).

On March 5, 2001, the Secretariat of Agriculture, Livestock , Rural Development, Fisheries and Foodstuffs (SAGARPA) officially announced that the states of Guanajuato, Jalisco, Michoacan and Queretaro, have been declared free of Karnal bunt (Tilletia indica) by the Mexican plant health authorities.

Marketing

The Mexican wheat milling industry is comprised of well over 150 milling companies. In general, the wheat milling sector is one of the principal industrial activities in Mexico. Furthermore, the Mexican bakery industry is considered to be mostly an artisan trade composed of neighborhood bakeries and regional bakeries. Mexican bakery companies range in size from one-family micro companies to major multinational corporations. Micro companies represent around 80-90 percent of the number of company, but less than 40 percent of the total production value. Some of the principal brands/company producers of bakery products in Mexico include Grupo Industrial Bimbo (white bread, pastries), Pasteleria Francesa (pastries), Grupo Mac' ma (cookies), Tia Rosa (pastries), Continental De Alimentos (white bread), Productos Marinela (pastries), Suandy (cakes and cookies), Lily Ann (cakes and pies) and Daly & Bagel (bagels). Mexican bakery producers have made large investments in equipment and production but, in general, still have room for modernizing their operations.

Local wheat and flour producers are the principal suppliers to the Mexican bakery industry and the main competitor to the United States. Driven by competition from imported wheat and wheat flour products, Mexican wheat millers have improved their technology in recent years. For example, many domestically processed food products of good quality are now available in retail outlets at competitive prices that are, in some cases, lower than those of comparative U.S. products. U.S. exporters should remember that Mexico is traditionally a price driven market and price is still a very important factor in many food and grain purchases.

RICE

Production

Mexican rice production for MY 2001/02 (Oct-Sep) is forecast to remain unchanged from the

previous year's revised estimate to 266,000 MT (milled). This is due to the uncertainty of federal and state government assistance programs being implemented this year. The recently announced government "Marketing Support Program and Development of Regional Markets" which is to include an amount per metric ton marketed has not been specified. The announcement only indicates the total rice volume to be supported by state. For MY 2000/01, rice production has been revised downward due to slightly less area planted and lower yields from reduced inputs. Sinaloa's water conservation programs allowed farmers to plant about 2,000 hectares to rice, down sharply from the 8,000 hectares of previous years. Much of Sinaloa's traditional rice land has been diverted to higher-value horticultural crops. The production estimate for MY 1999/00 has been decreased to reflect final government data.

Consumption

The estimate of MY 2000/01 rice consumption has been increased slightly based on improved consumer purchasing power and more competitive retail rice prices. The MY 2001/02 consumption level is forecast to increase, reflecting population growth and improved consumer purchasing power. Consumption for MY1999/00 has been revised upward to reflect very competitive prices and final government data.

Trade

Imports are forecast to decrease slightly in MY 2001/02 based on large carry over stocks from the previous year. Imports for MY1999/00 have been revised upward to reflect final government data. Importers are primarily concerned with price, followed by quality, and prefer U.S. rice over other origins, therefore, with large exportable supplies and lower prices, U.S. rice is expected to be increasingly competitive in the Mexican market. NAFTA tariff rates for calendar year (CY) 2001 are set at 2 percent for rough rice and 4 percent for milled rice.

Stocks

Mexico's ending stock position is forecast to drop slightly to 223,000 MT in MY 2001/02 owing to the large carry over stock from the previous year. The MY 2000/01 estimated ending stock position has been revised upward due also to higher stocks carried over from the previous year. MY 1999/00 stock estimate has been increased to reflect large imports and official government data.

Policy

On December 11, 2000, the Secretariat of Commerce and Industrial Development (SECOFI), currently known as the Secretariat of Economy (SDE), initiated an anti-dumping case against imports of long grain white rice from the United States. The petition was filed in October 1999 by the Mexican Rice Council (CMA), an important producer and milling group representing the Mexican milling industry and domestic rice producers. CMA alleged and SDE determined that indications of price discrimination existed and that said price discrimination allowed U.S. exporters to decrease the price of long grain white rice exported to Mexico during the period March-August 1999. Likewise, SDE determined that the combination of both of the above

situations caused a decrease in price of long grain white rice produced domestically, which in turn provoked a decrease in farmers' income. Finally, SDE determined that the decrease in income to the sector producing long grain white rice constitutes damage caused by conditions of price discrimination on imports of long grain white rice from the United States. Mexico's imports of white rice from the U.S. in CY 1999 were 2.0 percent lower than the same period in 1998, when the U.S. exported US$16.8 million.

The period of investigation for this antidumping petition is March 1, 1999, to August 31, 1999, and the CMA has identified four Mexican importers; Molino Harinero San Blas, S.A. de C.V.; Frijoles Mexicanos de Saltillo, S.A.; Frutas Secas Contreras, S.A. de C.V.; and Empacadora El Fresno, S.A. de C.V.; and two U.S. exporters, Producers Rice Mills, Inc., and Riceland Foods, Inc., as responsible parties. According to US Rice Council officials, Producer's Rice Mills, Inc., did not even ship rice to Mexico during the period under investigation. The US Rice Council and representatives of two US rice exporters came to Mexico and met with the Mexican Rice Council only to find it was determined to continue with its antidumping petition. At the same time CMA asked the US Rice Council for more assistance in promoting milled rice in Mexico.

Note: In addition to the antidumping case filed against US milled rice, Mexican authorities have included milled rice in the Customs Guarantee Accounts mechinism. This mechinisim sets a minimum "estimated" floor price for milled rice. Any shipments of milled rice entering Mexico below the estimated price must deposit the value of the import duty and sales tax imposed on the price differential. The deposit must be returned to the importer within six months. While there have not been any significant complaints so far that this mechinism is affecting trade, it very easily could if the estimated price is set to high -- especially for small importers who cannot afford to leave operating capital in the bank for six months.

As the United States and Mexico will eliminate their respective tariffs on rice by January 1, 2003, under NAFTA, U.S. paddy rice will become more competitive against non-NAFTA countries.

Marketing

There are several importer/distributor/brokers that specialize in a product or series of products and sell to other distributors and major processors and occasionally to packers and food processors. In the case of rice, distributors/importers are the key to the success since major retailers and food service chains do not import directly, and are serviced by these suppliers.

Traditionally, rice reaches the end consumer through small corner grocers. There are over 400,000 of these types of stores in Mexico. They serve their immediate neighborhood and carry a limited range of goods. Convenience store chains, however, are increasingly replacing these small corner stores and small outlets, offering better facilities and a wider variety of products. 22,000 wholesalers, service these stores. U.S. firms wishing to penetrate the Mexican market must have a locally based distributor/representative in order to operate and to establish a successful business relationship with domestic buyers. For the majority of small and medium sized U.S. food companies, it is probably best to tap into a pre-existing distribution network, either that of a distribution company or a Mexican rice miller.

CORN

Production

Production is forecast to increase to 19.2 MMT in MY 2001/02 (October/September), 8.5 percent more than the year before. The main reasons for this increase are the livestock sector's continued improvement and the expecting improvements of the official support programs. Moreover, this forecast assumes normal weather conditions and increases in planted acreage. MY 2000/01 harvested area and production estimes were reduced as a result of abnormally dry weather in some parts of the Bajio region during the spring/summer cycle. The Bajio region extends from west of Mexico City through the states of Jalisco, Guanjuato and Michoacan. Inspite of the dry wether the Bajio will continue to be the major corn producing region in Mexico.

For the 2000 spring/summer cycle, rainfall was below average levels. Moreover, rains came late in the spring in the central part of Mexico, reducing crop yields. In Jalisco, for example, lack of rains during the silk stage in non-irrigated areas reduced yields and previously estimated harvested area. According to official sources, production of corn in Jalisco declined by more than 7 percent in the 2000 spring/summer (2.3 MMT) compared to the same crop a year earlier. Similarly, lack of rain in Michoacan and the state of Mexico decreased corn production in both states by more than 16 percent for the 2000 spring/summer cycle.

Mexico also has below average rainfall in some parts northern Mexico. The central Pacific coast state of Sinaloa is the main source of commercial white corn in Mexico during the spring/summer months. The lack of rain since last year in the central part of the state has reduced reservoir levels in three important dams in the Culiacan area. Thus, production in Sinaloa is expected to decline by more than 21 percent, as farmers switch to more water efficient crops, such as dry beans and garbanzo beans. Harvest is expected to occur in May-June.

We are using official Mexican government statistics for historical purposes. The higher figure for production estimate in MY 1999/00 of 19.240 MMT as well as the area harvested, reflects Mexican government data.

The general quality of the 2000 spring/summer crop has been below average due to lack of normal rainfall. Similarly, the quality of corn grown in the north for the fall/winter season, is reported to be below average due to above normal temperatures and dry weather conditions.

The yields around the country, continue to be highly variable. Corn production in Sinaloa, for example, is highly mechanized, irrigated, and grown on large farms. The yields in this state range from 6.5 to 7.5 MT per hectare. Corn production in Zacatecas, on the other hand, is much less mechanized, temporal, and is grown on small private farms and *ejidos*. The yields in that state range from less than 1 to 2 MT per hectare. With good weather conditions, the nation-wide average corn yields should be about 2.5 MT per hectare for the MY 2001/02.

Production Policy

On February 15, 2001, the Secretariat of Agriculture, Livestock, Rural Development, Fisheries

and Foodstuffs (SAGARPA), formerly known as SAGAR, announced it will pay producers of corn and other crops (see MX9040) 829 pesos per hectare (US$34/acre) during 2001 spring/ summer and 2001/02's fall/winter planting seasons under its domestic support program -- PROCAMPO. This payment is 16.00 percent greater than what SAGARPA paid during the same period in 2000/01.

According to this regulation, some modifications were implemented in PROCAMPO for this year. The main changes are as follows: the farmer requests financial support at planting time and will receive this support within 40 days of the request, compared to 60 days a year ago. Farmers with producing areas smaller than one hectare, however, will receive the equivalent to one hectare payment (829 pesos), prior to planting. Similarly, farmers with producing areas between one and five hectares will receive the equivalent support to the area supported in the last few years (which includes the agricultural cycles of spring-summer 1998, 1999 or 2000). These farmers will receive the support also prior to planting. SAGARPA estimates that approximately 87 percent of producers under PROCAMPO, will benefit from these modifications. Also, SAGARPA estimates that for the 2001 planting cycles approximately 2.5 million farmers will be eligible under PROCAMPO in both planting cycles.

SAGARPA announced in Mexico's Federal Register (*"Diario Oficial"*) corn support program for producers in Chiapas, Chihuahua, Hidalgo, Nayarit, Tabasco, Tamaulipas, Tlaxcala, Morelos, Guanajuato, Veracruz, on February 15, 2001. The support, called "Marketing Support Program through Development of Regional Markets" (See MX0035), includes a payment per metric ton of corn marketed, which was not specified. The announcement only indicates the total corn volume to be supported by state. SAGARPA indicates that the supports will be for the 2001 spring/ summer and 2000/01's fall/winter planting seasons. The supports are managed by ASERCA which is SAGARPA's decentralized administrative body providing commercial support to farmers. It should be noted that the announcement also includes support for other products such as sorghum, soybeans, rice, wheat, peanut, sunflowers, cotton. The breakdown of total volume to be supported by state for corn and sorghum are as follows:

State	White Corn Total Volume Subsided (MT)	Current Corn Production Estimate 2000 Spring/Summer crop (MT)	Sorghum Total Volume Subsided (MT)	Current Sorghum Production Estimate 2000 Spring/Summer crop (MT)
Chiapas	500,000	1,775,000	30,000	20,000

Chiuahua 1/	180,000	446,000	-	-
Hidalgo	200,000	556,000	-	-
Guanajuato	450,000	614,000	800,000	1,263,000
Morelos	70,000	102,000	60,000	148,000
Nayarit*	120,000	181,000	-	-
Tabasco	35000	104,000	-	-
Tamaulipas**	307,664	74,000	2,300,000	2,250,000
Tlaxcala	40000	293,000	-	-
Veracruz	60000	902,000	-	-
Total	1,962,664	5,047,000	3,190,000	3,681,000

1/ The Support for Chihuahua is for yellow corn.
*Includes three cycles: 2000 spring/summer; 2001 spring/summer and 2000/01 fall winter cycles.
** Includes: 2000 spring/summer; and 2000/01 fall winter cycles

According to industry sources, the cash grain market "Menagro" (see MX0035) has continued working with some corn producers, consumers, financial agents and agricultural service suppliers. Corn purchases have been limited to small amounts of white corn due to the lack of grain producers' knowledge of the cash-grain market.

Consumption

Total corn consumption is forecast at 25.3 MMT during MY 2001/02, up from 24.4 MMT in MY 2000/01. Corn in Mexico historically has been almost exclusively a food grain rather than a feed grain. It should be noted, however, since NAFTA's implementation, domestic corn consumption has increased as a result of greater demand by animal feed and starch industries. Reportedly, there are comparative advantages offered under NAFTA for those sectors. The expected increase in total corn consumption reflects an increase in human consumption as well as feed consumption.

Tortillas continue to be a staple in the Mexican diet, with per capita consumption of 126 kilograms per year. According to industry sources, human consumption should increase with growth in population and household incomes. Tortilla makers foresee that tortilla consumption will increase as the traditional *nixtamal* process is switching to use corn flour.

According to official sources, the livestock sector, mainly poultry and hog producers, consumes corn primarily in the form of mixtures and feed concentrates. Domestic feed demand is forecast at 8.7 MMT for MY 2001/02. Domestic feed consumption estimate for MY 2000/01, has been revised downward based on current industry information which reflects the substitution of sorghum by corn for the livestock sector during that year. The Mexican feed millers' association expects that feed consumption will increase approximately 4 percent in MY 2001/02 due to strong demand from the livestock industry. The poultry and hog sectors, for example, are

expected to grow 5 and 3.5 percent respectively in MY 2001/02. The Feed Millers´Association stated that recent lower corn prices compared to alternative feed stuffs should encourage more corn use in the feed rations.

In an attempt to halt the alleged misuse of NAFTA corn TRQ's and preempt controversy about genetically modified corn, industry sources indicated that the GOM is going to propose a ban on the use of yellow corn for the production of tortillas. Mexico imports approximately 5 MMT of US corn a year, of which approximately 1.2 MMT is used for tortillas and corn flour. Most, if not all of the corn used for tortillas, is thought to be white corn, but some sources indicated that yellow corn imported for animal feed and industrial uses is being diverted into the manufacturing of tortillas. The measure to ban the use of yellow corn for tortillas would be included in an "official rule" that the government reportedly is preparing to publish for public comment this year.

Trade

Total corn imports in MY 2001/02 are projected to remain at 5.8 MMT, largely because of increased domestic production. The U.S. will remain the largest supplier. The estimated MY 1999/00 import estimates have been revised upward based on current official Mexican data.

According to the Secretary of Economy (SDE), Mexico issued TRQ permits for 5.3 MMT of corn in CY 2000, significantly higher than the approximately 3.0 MMT NAFTA tariff-rate-quota (TRQ) for US corn. Imports had been robust throughout most of CY 2000 because of the healthy economy and poor Mexican harvest.

The structure of the CY 2001 NAFTA TRQ will continue as in CY 2000, with direct allocations to importers and industries by SDE. It should be noted, however, that while Mexico's grain users want to import more U.S. corn, SDE has indicated that the policy this calendar year would change slightly. The GOM may reportedly enforce the over-quota tariff portion of CY 2001 NAFTA TRQ on U.S. corn imports once the CY 2001 within-quota amount of 3.074 MMT is filled. The over-quota tariff of 127.1 percent is considered prohibitive. Traditionally, the GOM has waived enforcement of the over-quota tariff for corn because local production has been insufficient to meet demand and the GOM has preferred to reduce inflationary threats through corn imports. Thus far, SDE has allocated 2.2 MMT for the first quarter of CY 2001. Also, as already mentioned, the GOM reportedly is considering banning the use of yellow corn in tortillas in an effort to reduce the alleged misuse of corn import permits (importing corn as feed and then using it for human consumption) and prevent genetically modified corn from being an issue. Post has revised downward the corn export estimates for MY 1999/00 and MY 2000/01 according to most recent official data. Mexico continues to put pressure on corn production while demand increases because of an improving economy.

Stocks

Mexico's ending stock position is forecast to fall 16 percent to 1.564 MMT in MY 2001/02, thereby maintaining a low stock-to-use ratio. The MY 1999/00 estimated ending stock position has been revised upward due to higher than previously estimated domestic production and

imports. Similarly, MY 2000/01 stocks estimate has been decreased reflecting more recent available information.

Policy

Since NAFTA was implemented on January 1, 1994, the over-quota tariff on corn has been reduced to 127.1 from 206.4 percent and the TRQ has increased to 3.074 MMT for 2001 from 2.5 MT for 1994. The United States eliminated the 0.2 cents per kilogram tariff on imported corn from Mexico. At the same time, Mexico converted its import licensing system to a transitional tariff-rate quota for the U.S. and Canada. The TRQ will remain in effect until 2008, with a 3 percent annual increase in quantity. Over the first six years of the agreement, an aggregate 24 percent of the tariff was eliminated. The remainder will be phased-out by 2008.

The United States will remain the main supplier of corn to Mexico for the foreseeable future due to NAFTA. Credit continues to be tight in Mexico, thus credit terms, through the GSM-102 program will remain a useful tool to promote U.S. corn in Mexico.

SORGHUM

Production

Sorghum production in Mexico for MY 2001/02 (October/September) is forecast to increase slightly to 6.2 MMT because of strong demand from poultry and hog producers. Reportedly, both producers are anticipating increased demand for their products as a result of the continued strong economy. This growth in production also reflects expected improvement in weather conditions, improved yields and slightly larger area planted.

Due to revised SAGARPA data, our estimate for sorghum production and area harvested estimates for MY 2000/01 have been adjusted downward. Reports from sources in Guanajuato, Michoacan and Jalisco, where the bulk of the fall harvest is produced, indicated that below average rainfall and untimely rains reduced expected yields for 2000/01's fall harvest. Consequently, the grain quality from this harvest was below average. Most balanced feed producers, however, continue to consider sorghum from the Bajio region to be higher quality than Tamaulipas-produced sorghum, pimarily because the latter suffers from a lack of appropriate storage. Approximately 24 percent of the fall/winter crop is irrigated while nearly 45 percent of the spring/summer crop is irrigated. For MY 1999/00 production estimates have been revised upward due to better than expected growing conditions and according to government data. Similarly, the sorghum planted area estimate for MY 1999/00 was revised downward to reflect government information.

Sorghum yields are expected to increase slightly in MY 2001/02 to approximately 3.21 metric tons per hectare, assuming a return to normal rainfall. A per-hectare base payment of 829 pesos per hectare (US$34/acre) will be given to sorghum farmers for 2001's spring/ summer and 2001/02's fall/winter planting seasons under its domestic support program known as PROCAMPO.

SAGARPA announced in Mexico´s Federal Register (*"Diario Oficial"*) a support program to market sorghum from Chiapas, Guanajuato, Morelos and Tamaulipas (see Production Policy in the Corn Section). The total volume to be supported by this program is 3.19 MMT. The program includes a payment per metric ton of sorghum marketed during the 2000/01 fall/winter and 2001 spring/summer cycles for the growers. It should be noted, however, that the amount of this payment was not specified in the announcement.

Consumption

Sorghum consumption is forcast to increase to 10.7 MMT in MY 2001/02 from revised 10.3 MMT in MY 2000/01 because of strong demand from the feed industry and livestock sector. The poultry sector's outlook, for example, continues to be very optimistic for MY 2001/02 (see MX1017). The poultry industry is the major consumer of sorghum. The feed consumption estimate for MY 2000/01 has been revised upward reflecting more recent available data from the feed millers association.

Trade

Imports for MY 2001/02 are forecast to increase by 500,000 MT to 4.8 MMT due to continued strong demand from feed millers. The MY 2000/01 import estimate has been increased to 4.3 MMT based on official trade data from SDE. This increase is the result of lower than previously estimated domestic production and greater demand than estimated earlier. NOTE: Although there are differences with U.S. export data, this report uses Mexican import statistics. The data for CY 2000 are for Jan-Oct only.

Stocks

Ending stocks are forecast to increase by nearly 25 percent because higher domestic production for MY 2001/02. Private feed millers continue to keep approximately one to two months supply of feed in stock. The estimate of MY 1999/00 ending stocks have been decreased to about 6.0 MMT because of lower expected domestic production compared to earlier estimates. Also, the estimated of MY 2000/01 ending stocks were raised based on higher imports than previously estimated.

BEANS, DRY EDIBLE

Production

For MY 2001/02 Mexican dry edible bean production is forecast to reach 1.1 MMT due to increased government assistance and a return to normal rainfall after last year´s drought conditions and increased government assistance from the new Fox administration. Similarly, the area harvested for MY 2001/02 is forecast at 1.890 million hectares, which reflects a normal bean crop that would result from normal weather. The estimate of total crop area harvested for MY 2000/01 has been lowered to 1.733 million ha. based on new information from SAGARPA

Weather continues to be the predominant production factor given that over 75 percent of

Mexico's bean area is unirrigated. In MY 2000/01, below average rainfall again reduced estimated dry edible yields in main producing states. As a result, the dry edible bean production estimate has been reduced in MY 2000/01 (October/September) to 928,000 MT. The MY 1999/00 production estimate and harvestedarea were also reduced because of below average rainfall and new official information from SAGARPA.

The overall yield for MY 2001/02 dry bean crop in Mexico is expected to reach about 0.582 MT/Ha, higher than the average yield in MY 2000/01 because of a return to normal rainfall after last year's drought. For the spring/summer 2000 crop cycle, the quality of dry beans in Zacatecas was below average, with many small and immature beans, due to the drought. With normal weather in MY 2001/02, these problems are not expected to reappear. Planting of dry beans for the fall/winter crop (harvested on the spring/summer) peaks during November, when 45 percent of the total dry bean cultivation acreage is planted.

Drought sharply reduced estimated dry edible yields in Zacatecas and Chihuahua for the 2000/01 fall/winter harvest. Zacatecas and Chihuahua account for approximately 46 percent of Mexico's fall/winter harvest. Recently, SAGARPA reported Zacatecas produced only 265,026 MT, 40.7 percent of which were black beans. This is less than the preliminary official estimate of 304,622 MT. According to SAGARPA officials, Zacatecas had rainstorms in May brought on by hurricane Violeta and some in July, but there was no significant rainfall in August and September. This year Zacatecas received 10" of rain with the norm at 15"annually. The plants were underdeveloped and matured prematurely due to drought stress.

Despite poor crop yields, grower prices have remained relatively stable compared to the year before. Farmgate prices, for example, for Flor de Mayo and Flor de Junio beans have remained at 4.50-4.70 pesos/kg (approximately US$0.21-0.22 per pound). Unexpectedly, the price paid for black beans is now at only 2.80 pesos/kg (US$0.13 per pound), considerably lower than a year earlier (6.0-7.0 pesos/kg. - US$0.28-0.33 per pound). According to some bean grower associations, there is already a huge surplus of dry beans yet to be marketed. These organizations charge that this problem is caused by illegally imported dry beans and unscrupulous middlemen. Several private and government sources opined, however, prices for black beans are depressed due to decreased consumption of dry beans as a food staple, not uncontrolled smuggling nor unscrupulous middlemen. Currently, prices are determined by market forces.

For Durango, where production was less affected by drought, official sources reported a total production of 93,188 MT for the 2000/01 fall/winter harvest, 9 percent increase compared to a year earlier. Approximately 75 percent of total production is pintos, 15 percent black beans and 10 percent clear varieties (Flor de Mayo, Flor de Junio, canarios and azufrados). Reportedly, pintos and pink varieties already have been sold, while black beans have had trouble as sales have dropped off last year's pace. Therefore, some producers have attempted to sell their black bean stock through middlemen in Zacatecas.

In Chihuahua, the third most important dry bean producing state, industry sources indicated they had the poorest crop they have had in the last 10 years because of insufficient rainfall during the important months of August and September. Overall, rainfall was 70 percent of normal for the year, but it did not come when it was needed. According to preliminary official information,

production of dry beans in Chihuahua declined by over 68 percent for the 2000 spring/summer crop (27,458 MMT) compared to last year's crop. Chihuahua produces mostly pinto beans.

For the 2001 spring/summer harvest, Nayarit reports 47,088 ha. have been planted to beans, with an expected production of 68,893 MT, approximately 16 percent higher than a year earlier. The sowing conditions are good, the weather is fine, and farmers expect to attain their planting intentions. At the same time, in Sinaloa, SAGARPA reports a total bean planted area of 63,434 ha with an expected production of 100,605 MT, of which only a small percentage will be black bean varieties, and the rest will be Azufrados, Peruanos and Mayocobas. The spring/summer harvest season begins in December, when approximately 10.0 percent of the area is harvested and peaks in February, with approximately 36 percent, and decreases gradually after March. PROCAMPO payments for the 2001 spring/summer and fall/winter 2001/02 crop cycles are 829 Pesos/Ha. - US$34/acre (see Production Policy in the Corn Section).

Consumption

The forecast for dry bean consumption in MY 2001/02 is 1.15 MMT, an increase of approximately 4.5 percent, reflecting primarily population growth and affordable domestic prices. This office revised sharply downward the MY 1999/00 and MY 2000/01 consumption estimates according to most recent industry information. Both private and official sources agreed that low-income consumers have continued to switch from buying dry edible beans to relatively less expensive protein sources (such as eggs, pasta, potatoes, etc.). At the same time, middle-income consumers have switched from dry beans to meats as well as other ready to cook meals.

Trade

Imports are forecast to increase slightly to 95,000 MT for MY 2001/02, based on expanding demand, which, however, reflects only the population growth. This office adjusted downward import estimates for MY 1999/00 and MY 2000/01 according to SDE preliminary official data which reflects the decreased in consumption already mentioned.

The GOM has stated that administration of the dry bean Tariff Rate Quota (TRQ) will be handled through four auctions for CY 2001. The first auction was announced on February 19, 2001, in the "Diario Oficial" - Mexico's Federal Register - (See MX1023). The auction will be conducted on March 19 for 15,373.5 MT of U.S. dry beans, which represents about one-fourth of the total tariff-rate quota (TRQ) for CY 2001 (61,494 MT). According to the rules published by the GOM for this auction, however, the TRQ's certificates will only be good until April 30, 2001. Given the short turn-a-round time, exporters are concerned that there will not be enough time to complete sales, ship and cross into Mexico by April 30. What makes it more difficult is that, Mexican Customs last year eliminated the 20-day extension given to physically cross a railcar into Mexico. Despite the fact that GOM officials are aware of the short-turn-around time, apparently there is not committing to pushing for an extension.

Growers have continued to complain that the increasing stocks in CY 2000 has caused significant financial losses and they are worried about the current 2000-2001 fall/winter crop and the upcoming 2001 spring/summer will push prices lower. Also, some bean growers'

organizations have continued to complain about alleged illegal imports (see production section). Despite the fact that the GOM has recognized that the current build up of stocks in several producing states is a problem, they also admitted that domestic consumption has decreased. They pointed out, however, that in CY 2001, bean TRQ's will be given out from the domestic harvest seasons in order to avoid additional problems of surplus and low prices paid to producers.

NOTE: This report uses Mexican import statistics. The data for CY 2000 are from Jan-Oct only.

Stocks

The ending stock estimate for MY 1999/00 was increased to 115,000 MT because of lower than expected consumption. For MY 2000/01, ending stocks were revised slightly downward reflecting lower than expected production. For MY 2001/02 ending stocks are forecast to increase to 70,000 MT as production and imports increase.

Policy

On January 1, 1994, under the NAFTA, Mexico converted its import licensing regime for the United States and Canada to a transitional tariff-rate quota (TRQ). The TRQ grows at a 3-percent annual rate over the 15-year transition period which started in 1994 and will end in 2008. In 2001, the United States can export 61,494 MT duty-free to Mexico. The over-quota tariff is 82.1 percent for the same period. Over the first 6 years of the agreement, an aggregate 24 percent of the over-quota tariff was eliminated. The remainder of the tariff will be phased-out over the rest of the transition period.

During 2001 Canada has duty-free access for 1,845 MT of dry beans. The structure of the over-quota tariff phase-out and growth in the quota amount is the same as for the United States. At the same time, the United States eliminated its tariff on imported dry beans from Mexico as of January 1, 1994. The immediate phase-out of the U.S. tariff on dry bean imports has had little impact on domestic productin because imports are relatively small.

By gaining a guaranteed minimum access for U.S. dry beans each year, Mexico will become a more stable import market, with imports driven more by market forces than political decisions. If Mexico's import needs again are greater than the TRQ quantity in upcoming years, the United States is guaranteed MFN (most-favored nation) tariff treatment for additional exports..