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ECONOMY MINISTRY DEFENDS ITSELF AGAINST CRITICISMS FROM CANE GROWERS, MILL OWNERS AND LEGISLATORS

The Economy Ministry has insisted that by issuing import quotas (250 thousand mt), domestic prices have fallen by 10.4%. A Ministry press release also said that the drop in domestic production (12.5% compared to last year, and 15.9% compared to initial harvest estimates) and inventory have caused "...uncertainty about having enough supply, and this contributes to speculation and price volatility. If we hadn't acted quickly, today we might be facing a new spike in sugar prices. Nevertheless, and even after the quotas, revenue for mill owners and cane growers is still much higher than in previous years." The release also says that the quotas were issued because the Ministry is responsible for promoting the supply of basic foodstuffs, and to avoid 'unusual' price increases that would affect the purchasing power of the 106 million Mexican citizens, as well as industrial consumers.

It's certainly true, as the Ministry reports, that prices have fallen. However, it's not necessarily due to the impact of imports (so far just 75 thousand mt. of sugar have actually been imported), but rather due to increases in sales by various domestic mills and distributors who needed cash. As far as uncertainty caused by low inventory, that's just an excuse. There is plenty of sugar to supply the market through June, since domestic production is higher than 3 million mt. As far as the potential for price speculation, everyone (except the mill owners) agrees with the Ministry.

Finally, the quotas authorized this year and last year haven't done much to benefit the 106 million Mexican citizens who buy sugar at the grocery store, since prices haven't changed. The ones who are benefiting are the mill owners, distributors, trade houses, and cane growers.

LARGE WHOLESALERS SET A PRICE GOAL OF 12,000 PESOS/MT FOR WHOLESALE ESTÁNDAR SUGAR

After the takeover of mill warehouses and the 'supervision' by unions to ensure that low-priced sugar doesn't leave the warehouses, several large distributors have decided to raise estándar prices to 12,000 pesos/mt (about 960 USD/mt) in the coming days. They blame the move on the fact that FICO and private mills can only supply products from external warehouses, and that's making things more expensive.

The same wholesalers believe that for the rest of the year, sugar prices will stay above 11,000 pesos/mt (about 880 USD/mt). However, there might be some surprises related to the ceiling price, for various reasons:

1. It's unlikely that the harvest will exceed 4.7 million mt.
2. Demand figures are unreliable, and every year sales rise.
3. Nobody knows the real impact from HFCS, since most consumers continue to prefer sugar as their primary sweetener.

According to these distributors, the country will need more imported sugar by the end of the year, since neither HFCS or sugar imports will be sufficient to cover demand.

NCSSD RELEASES ITS 2ND PRODUCTION ESTIMATE: 4.8 MILLION MT.

The National Committee for Sustainable Sugarcane Development (NCSSD) has released its second estimate for this year's production: 4.833 million mt. The first estimate was for a harvest of 5.173 million mt.

According to the NCSSD, the total harvested acreage will be 659 thousand hectares (1.627 million acres), cane yields will average 65.7 thousand mt./hectare (26.6 mt/acre), total cane crush will be 43 million mt, and factory extraction rates will average 11.16%. In the first estimate, cane yields were 66.47 mt/hectare, and extraction rates were 11.72%.

SECOND CANE AND SUGAR PRODUCTION ESTIMATE FOR THE 09/10 HARVEST

(AS OF APRIL 5, 2010)

PRIVATE MILLS			PRIVATE MILLS		
MILL	CANE	SUGAR	MILL	CANE	SUGAR
San Gabriel	185,000	19,425	Huixtla	1,114,000	111,400
La Concepción	18,496	1,739	Tamazula	1,351,641	162,841
Independencia	71,916	5,300	La Margarita	588,450	64,783
Calípam	72,849	5,466	Zapoapita	993,636	105,042
Lázaro Cárdenas	239,989	28,389	La Gloria	1,357,423	154,494
Pedernales	282,000	33,417	El Higo	1,000,000	110,000
La Primavera	305,526	28,156	Pujilic	1,394,268	175,678
Azsuremex	149,808	12,750	C. Motzorongo	1,021,863	110,535
El Dorado	409,146	41,684	Aarón Sáenz	920,028	94,757
Bellavista	452,005	51,016	Benito Juárez	958,903	100,236
Mahuixtlán	351,300	38,117	Puga	1,234,504	147,031
El Refugio	255,903	28,506	Plan de Ayala	678,204	77,868
Santa Clara	470,000	52,396	Alianza Popular	780,631	85,274
J. Ma. Morelos	457,148	52,874	Sn Miguel del N.	966,155	104,680
Nuevo San Fco.	550,000	52,250	Tala	1,729,445	203,368
El Carmen	500,000	52,500	Sn R. de Pucté	1,169,378	127,167
S José de Abajo	546,921	60,052	A.López Mateos	1,420,000	157,159
Santa Rosalía	460,000	52,702	Tres Valles	2,018,690	222,056
Melchor Ocampo	885,000	105,404	INGENIOS PUBLICOS		
El Molino	654,900	81,883	Casasano	452,426	58,128
Cuatotolapam	480,000	51,825	San Miguelito	440,000	47,001
San Nicolás	669,891	73,018	La Joya	350,000	37,254
San Pedro	596,000	61,066	El Modelo	900,000	101,043
Central Progreso	483,002	54,526	E. Zapata	1,119,368	139,184
Los Mochis	210,000	14,448	La Providencia	706,000	76,497
San Fco Ameca	904,955	108,594	Atencingo	1,414,200	175,234
Constancia	737,928	78,523	Plan de Sn Luis	730,596	82,851
Quesería	829,565	99,548	El Potrero	1,310,000	153,977
El Mante	668,791	67,063	San Cristóbal	2,300,000	235,018
TOTAL .				43,317,897.86	4,833,292

SOURCE: NCSSD

Most analysts believe that the second estimate is still too optimistic. Technical managers at the mills themselves believe that the drought followed by torrential rains have seriously affected most producing regions. Other factors include the lack of fertilization, replanting, fumigation, etc., all of which will seriously affect the field yields. At best, they say, the harvest will eventually total 4.6 million mt.