

## **Mexico Expects Stronger Corn Production For 2012**

Mexico produced 19.2 million tons of corn in 2011 during the worst drought ever recorded in the north of the country, but production is expected to be stronger this year and prices should remain contained, Agriculture Minister Francisco Mayorga said.

Latin America's second-largest economy should produce 21.8 million tons of corn in 2012, mainly due to a government effort to boost corn output in southern and southeastern regions, such as Veracruz, Chiapas or the Yucatan peninsula. Northern states such as Sinaloa, the largest corn producer, have been severely affected as there is no water in the dams to irrigate harvests.

"We're already planting 144,000 additional hectares of white corn in the south. The supply of corn is guaranteed. There's no reason to get alarmed," Mayorga said in a press conference. The Agriculture Ministry is expecting to lower its imports of white corn this year to 1.082 million tons, down from 1.4 million in 2011.

White corn tortilla prices rose last week to a new high of 11.90 pesos (91 cents) on average per kilogram due to the widespread drought and concerns about coming corn harvests. The price of tortillas is a major concern for the Mexican population because the food is a dietary staple in the country and the main source of food for some of Mexico's rural poor. Just in the first half of January, tortilla prices rose 2.6%, contributing the most of any single item to the 0.32% increase in consumer prices in the period.

But Mayorga said corn prices have gone down in the last two weeks of January. From a peak of MXN5,220 per ton reached on Jan. 12, the price has come down to MXN5,120 per ton this week. "That's a clear signal that supplies are not scarce and that we're taking [appropriate] measures," Mayorga said.

But the agriculture minister recognized that the drought could even worsen in the coming months. "Although corn supplies are guaranteed, we could see more problems with the livestock," Mayorga said, without elaborating further.

Last year, 1.2 million hectares of crops were lost to the drought, mostly of corn and other grains. Roughly 50,000 head of livestock died. The damage was concentrated in the agricultural states of Coahuila, Zacatecas, Chihuahua, Durango and San Luis Potosi. More than half of the national territory is experiencing below-average levels of rainfall.

Mayorga also reiterated that the Mexican government will keep giving subsidies to the national tortilla-making industry, in order to try to avoid small tortilla makers passing on higher energy and electricity costs to consumers.

Source: CME