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Mexico

Sugar

New National Sugar Policy

2002

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Report Highlights:

The Secretaries of Agriculture (SAGARPA) , Economy (SE) and Labor (ST), announced on February 26, 2002, the National Sugar Policy for 2002-2006. This policy outlines measures to help the ailing sugar industry with new financing schemes and the creation of a sugar export association.

Includes PSD changes: No
Includes Trade Matrix: No
Unscheduled Report
Mexico [MX1], MX

DISCLAIMER: This summary is based on a *cursory* review of the announcement made to the press and therefore should not, under any circumstances, be viewed as a definitive reading of the policy in question, or of its implications for U.S. agricultural export trade interests. In the event of a discrepancy or discrepancies between this summary and the complete announcement as published in Spanish, the latter shall prevail.

NATIONAL SUGAR POLICY 2002-2006

On February 26, 2002, the Government of Mexico announced, via the Ministries of Economy, Agriculture and Labor, its National Sugar Policy for 2002-2006. The policy includes a series of sixteen short- and long-term measures designed to help Mexico's ailing sugar industry. The overall objective of the National Sugar Policy is to regulate the sugar market and to make the sugar sector a profitable one.

Overall short-term measures include the organization of a sugar export cooperative association comprised of all privately-held and government-owned sugar mills; the composition of this cooperative will be 57 percent private sector and 43 percent government. This association will be the sole entity authorized to export sugar and will oversee the sale of approximately 650,000 MT of sugar for MY 2001/02. The Secretary of Agriculture indicated that the National Sugar Policy will not include government subsidies to the sugar industry and that any losses will be absorbed by the industry itself. Other measures call for the creation of a physical spot market, increased dissemination of industry statistics (price, production, consumption, exports, imports, etc.), promotion of domestic consumption, and continued negotiations with the United States on increased access to the U.S. sugar market to alleviate Mexico's sugar surplus.

The program also outlines new short-term financing schemes, involving private and development banks, to relieve credit problems. One such measure is a type of guarantee system ("reporto") to alleviate the cash flow problems sugar mills have historically had; this measure is applicable only to domestic sugar sales, wherein a sugar trader will buy sugar from a sugar mill, which then repurchases it at a higher cost at a later date. The intention of this measure is to give approximately \$650 million in liquidity to the sugar mill industry during the sugar production cycle (November-June).

A second short-term financing measure (180 days) to extend credit to the sugar industry involves using sugar as collateral with private banks, wherein the banks receive a certificate for a designated amount of sugar and the sugar mill owners receive funds for that sugar which can then be used to continue operating. This is expected to alleviate pressure on sugar mill owners to sell their sugar shortly after harvest, which would result in flooding the domestic market and depressing prices.

A third short-term financial measure includes a credit line for the sugar export cooperative association to sell on the world and U.S. markets. A final short-term measure is to provide financing to sugar cane producers to mechanize sugar production, bring technology to the cane fields, and create incentives for the introduction of new sugar cane varieties with higher sucrose content.

In the medium term, the plan calls for the renovation of the legal framework that regulates relations between mill workers and mill owners ("contrato ley" and "decreto cañero") in order to increase

productivity and offer better benefits for the mill workers. Other medium-term measures include the optimization of installed capacity of the mills to produce other products derived from sugar cane, increased farm mechanization, and renovation of sugar mill technologies.

This official announcement, however, did not have information about the future of the government-owned sugar mills nor the timing for their privatization. However, SAGARPA did state that no further expropriations were being considered by the Government of Mexico.

At this time, it is unclear whether this new association will have the ability to set prices and heavily influence the market. Details regarding the exact implementation of these measures are expected to appear in the Diario Oficial shortly.

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FAS Mexico Web Site: We are available at <http://www.atomexico.gob.mx> or visit our headquarter's home page at <http://www.fas.usda.gov> for a complete selection of FAS' worldwide agricultural reporting.

Useful Mexican Web Sites: Mexico's equivalent of the Department of Agriculture (SAGARPA) can be found at www.sagarpa.gob.mx/index3.html and Mexico's equivalent of the 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.