



Foreign Agricultural Service

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## Mexico

### Agricultural Situation

# Mexico Announces New System under Procampo Program

## 2002

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#### **Report Highlights:**

**On July 2, 2002, Mexico's Secretariat of Agriculture Livestock and Rural Development, Fisheries and Foodstuffs (SAGARPA) announced a new facet of PROCAMPO, SAGARPA's support program providing direct payments to producers. The new rules outline a new system of credit guarantees and access to future payments.**

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

**Introduction:** This report summarizes an announcement published in Mexico's "Diario Oficial" (Federal Register) on July 2, 2002, regarding one of Mexico's agricultural support programs.

**Disclaimer:** This summary is based on a  *cursory*  review of the subject announcement and therefore should not, under any circumstances, be viewed as a definitive reading of the regulation 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 regulation or announcement as published in Spanish, the latter shall prevail.

**FAS/Mexico's Executive Summary:** Mexico's Secretariat of Agriculture Livestock and Rural Development, Fisheries and Foodstuffs (SAGARPA) announced PROCAMPO's operational rules regarding the new system of credit guarantees and access to future payments. It consists of a one-time payment which producers can use at their own discretion, without being subject to restrictions on its use. SAGARPA initiated the PROCAMPO program in October 1993 to facilitate the transition to more market-oriented policies from the previous system of guaranteed prices. Since 1993 it has provided direct cash payments at planting time on a per hectare basis to growers of several crops. These payments will remain constant in real terms until the fall/winter 2007/08 planting cycle. However, with the initiation of a new system of credit guarantees, farmers will be able to obtain all future PROCAMPO payments in one amount, through credit guarantees. The objective of this new system is to provide capital to farmers so that they can diversify or establish more market-based agribusiness ventures. The one-time amount will consist of all the payments producers would normally have received from July 2002 (the date of this announcement) through 2008 (the last year for which direct payments to producers is in effect).

**Title:** Operational Regulations of the Guarantee System and Anticipated Access to Future Payments of PROCAMPO

**Agency in Charge:** Secretaria de Agricultura, Ganaderia, Desarrollo Rural, Pesca y Alimentacion (SAGARPA), Apoyos y Servicios para la Comercializacion Agropecuaria (ASERCA)

**Type of Regulation:** Operational

#### **Important Dates**

- 1. Publication Date:** July 2, 2002
- 2. Effective Date:** July 3, 2002
- 3. Start of Public Comment Period:** N/A — Administrative Announcement
- 4. End of Public Comment Period:** N/A -- Administrative Announcement

**Eligible Commodities:** Growers of corn, dry beans, wheat, rice, sorghum, soybean, safflower, cotton and barley destined for use as grain are eligible. (Note: other products may be eligible if the grower had planted the above mentioned crops during the spring/summer and fall/winter planting seasons of 1990/91, 1991/92, and 1992/93.) Popcorn, feed sorghum, feed wheat, broomcorn, barley forage and dry bean forage are ineligible (see MX 0068).

**Other Key Points:**

1. Growers must submit a proposal, in which a specific project is identified, in order to qualify in the system. The proposed project has to fulfill certain criteria and regional priorities as determined by the State Council. In case the proposed project entails the acquisition of equipment, that equipment must be new and the grower must certify such through proper documentation.
2. In order to receive future payments, the State Council has to rule that the project is technically viable, the financial institution that it will be financially profitable, and SAGARPA, through ASERCA, must authorize it.
3. The growers will receive credit guarantees from financial institutions for implementing the proposed project in the eligible area. An area will be considered as eligible if it is registered in the PROCAMPO data base and if growers have received PROCAMPO payments during the last three planting seasons. At the same time, growers will give up their right to collect future PROCAMPO payments.
4. No further credit guarantees will be given to those growers in the system who have already used up the credit previously provided by the financial institutions for this one-time lump sum credit guarantee. However, if such financing is insufficient to accomplish the proposed project, growers will have access to additional credit from the financial institutions, albeit with different qualifying criteria. These additional credits will not be PROCAMPO payments, and must be backed up by some sort of collateral put up by the producer. ASERCA's responsibility is limited only to what payments it would have issued under PROCAMPO.
5. The delivery of ASERCA's PROCAMPO payments to the financial institutions will be made annually, in accordance with PROCAMPO's calendar of payments and for the amount specified per agricultural cycle, as specified in the assignment rights contract, and for the eligible areas.
6. The only financial institutions which will participate in the program are those which have an agreement with SAGARPA/ASERCA, according to the terms defined by the government.
7. The system will apply the following economic conditions to the issuance of credit: a) interest rates in compliance with the agreements between ASERCA and the financial institutions; b) financing mechanisms which honor the PROCAMPO Capitalization Law, with financial costs as low as possible; and c) for those growers/owners of eligible areas up to five hectares, SAGARPA, through ASERCA, will pay the interest to the financial institutions, in accordance with the assignment rights contract.
8. The system will have an annual budget and it will be assigned in accordance with the availability authorized in the Federal Expenditure Budget.
9. The system will allow for information sharing and tracking. ASERCA will inform SAGARPA, the Inter-secretarial Commission for the Sustainable Rural Development, and the Mexican Council for the Sustainable Rural Development, of the following: a) production units in the System; b) area to support; c) resources budgeted and applied; d) growers benefitted by person's type and land ownership; e) kind of proposed project (i.e, ecological, productive, agroindustrial conversion, etc.).

**Comment:** This announcement is being viewed as an important attempt by the GOM to provide incentives to its producers to diversify or establish more market-based agribusiness ventures. It is unclear if, in the next five years, enough time remains to do so, given that approximately 30 percent of Mexicans are employed in the agricultural sector. Although the impact of this announcement is hard to gauge, as the GOM has not yet made a final decision with regard to the level at which it will back these credit guarantees, it is being viewed as a positive step in helping Mexico's ailing agriculture sector deal with the full implementation of NAFTA, which, in its remaining five years, will see tariffs on all goods reduced to zero.

**For More Information:**

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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](http://www.sagarpa.gob.mx) and Mexico's equivalent of the Department of Commerce (SE) can be found at [www.economia.gob.mx](http://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.