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Agricultural Situation

Mexico Announces Support Program for Sorghum, Wheat, and Yellow Corn

2008

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Report Highlights:

On October 30, 2008 Mexico's Secretariat of Agriculture, Livestock, Rural Development, Fisheries and Foodstuffs (SAGARPA) announced in the Mexican Federal Register (*Diario Oficial*) the specific guidelines for support programs available for sorghum, wheat and yellow corn during the 2007-08 fall/winter season. It is estimated that through this program SAGARPA will provide approximately \$600 million pesos (roughly U.S. \$ 46.1 million) of support covering 2.48 million tons of sorghum, 1.59 million tons of wheat and approximately 0.48 million tons of yellow corn.

Includes PSD Changes: No
Includes Trade Matrix: No
Annual Report
Mexico City [MX1]
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Introduction: This report summarizes the specific operational guidelines for obtaining supports on selected agricultural products published in Mexico's "*Diario Oficial*" (Federal Register) on October 30, 2008.

Disclaimer: This summary is based on a *cursory* review of the subject announcements and therefore should not, under any circumstances, be viewed as a definitive reading of the regulations 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:

On October 30, 2008, Mexico's Secretariat of Agriculture, Livestock, Rural Development, Fisheries and Foodstuffs (SAGARPA) announced the specific guidelines establishing the mechanisms by which SAGARPA will provide economic support to yellow corn, sorghum and wheat during the 2007/08-fall-winter planting season under the "Forward Contract Program."

According to this announcement, the objectives of the supports for the forward contracts are to:

- a) Guarantee the growers the advance sale of their crops, through the implementation of forward contracts
- b) Guarantee the buyers a secure supply source;
- c) Provide certainty to the production-consumption process;
- d) Promote order in the grains market.

These specific guidelines are based on the General Operational Regulations (REGLAS) that SAGARPA published for all support programs on December 31, 2007. The announcement states that through SAGARPA's Support and Services for Agriculture and Livestock Marketing Agency (ASERCA - a decentralized administrative body within SAGARPA providing commercial support to farmers) SAGARPA will provide payments for growers or buyers under the commodity hedging program.

The breakdown of the total volume to be supported by commodity as well as the production expected by SAGRAPA for the 2007/08 fall-winter planting is as follow:

ASERCA'S FORWARD CONTRACT PROGRAM VOLUME SUPPORTED & ESTIMATED PRODUCTION (2007/08 Fall-Winter Planting Season)		
Product	Total Volume Subsidized (MT)	Total Production Estimated (MT)
Yellow Corn	477,177	N.A. ¹
Sorghum	2,479,572	2,533,711
Wheat	1,593,000	3,398,833

¹ No official estimate has been provided for yellow corn production; however, sources estimate that total production will be similar to the volume subsidized.

Title of the Announcement: “Specific Operation Guidelines of the component to maintain market order of the Program of Structural Problems Attention relative of the Forward Contracts of eligible grains and oilseeds”.

Type of Regulation: Operational

Important Dates:

1. Publication Date: October 30, 2008

2. Effective Date: October 31, 2008

Eligible Commodities: Yellow Corn, Sorghum and Wheat

Other important features of the new program:

The “target population” for this Program is defined as “growers, directly or through their organizations, consumers and traders interested in acquiring the eligible products (yellow corn, sorghum and wheat) and that have Purchased Forward Contracts. These forward contracts must show proof that were registered and validated in ASERCA offices.

The announcement states that the grains to be supported are those planted between October 2007 and January 2008 and harvested and marketed between April and August 2008.

ASERCA stated that these payments are to compensate for part of transportation, storage and handlings costs of the each eligible grain, as well as commodity specific market conditions. The payments are defined in the announcement as “Basis Compensation” and are determined by the cash price and the futures price of the same commodity, as well as the following two factors:

- the Mexican state in which the seller and the buyer are located and,
- the commodity supported (i.e. yellow corn, sorghum or wheat).

The direction of the basis changes over this period in each commodity also determines whether either the producer or the buyer will receive the payments.

FAS/Mexico Comments:

According to ASERCA sources it is estimated that through this program SAGARPA will provide \$600.0 million pesos (roughly U.S. \$47.0 million). The amount of the payments varies greatly depending on these factors although payments to individuals could reach \$427 pesos per ton. ASERCA stated that the program has been successful in encouraging buyers to purchase domestic supplies while giving producers security that they will receive sufficient prices to be profitable. Both producers and buyers are willing to enter in forward purchase contracts knowing that they are protected from large price swings. In addition, this program is helping create a solid relationship between growers and buyers for these commodities and promoting a financial and business culture. The expectation is eventually buyers could provide credit to the growers for planting their crops under the forward contracts and therefore governmental participation and supports through this program could be reduced.

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Internet Connections:

Visit our headquarters' home page at <http://www.fas.usda.gov> for a complete selection of FAS's worldwide agricultural reporting.

Useful Mexican Web Sites:

Mexico's equivalent of the Department of Agriculture (SAGARPA) can be found at www.sagarpa.gob.mx and Mexico's equivalent of the Department of Commerce (SE) can be found at www.se.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.

Relevant Reports Submitted by FAS/Mexico City

MX7016 Mexico Announces 2007 Agricultural Programs
<http://www.fas.usda.gov/gainfiles/200703/146280439.pdf>

MX7071 Mexico Announces Support Programs for Sinaloa White Corn
<http://www.fas.usda.gov/gainfiles/200710/146292690.pdf>

MX8017 Grain & Feed Annual
<http://www.fas.usda.gov/gainfiles/200803/146293969.doc>

MX8075 Mexico Announces Support Program for Sinaloa White Corn
<http://www.fas.usda.gov/gainfiles/200811/146306401.pdf>