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**Date:** 8/6/2009

**GAIN Report Number:** MX9048

## Mexico

**Post:** Mexico

### Sorghum Producers in Tamaulipas Upset with GOM

**Report Categories:**

Agriculture in the News

Grain and Feed

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**Report Highlights:**

On July 23, 2009, sorghum producers from the state of Tamaulipas recently took out an advertisement in *El Bravo* to blame low prices and their problems on the Secretary of Agriculture, Alberto Cárdenas Jimenez. Tamaulipas growers commented that on repeated occasions they requested the implementation of a "Forward Contracts" program that would have protected them against higher production costs and decreased international prices. They demanded full implementation of this program as well as renegotiation of NAFTA. After further analysis, it was learned that these growers had opportunities to participate on at least two occasions in the Forward Contract program. About five percent of the sorghum growers in Tamaulipas have not sold their crop or participated in the program.

**General Information:**

*The following is an informal translation from the Mexican press.*

***SORGHUM PRODUCERS IN TAMAULIPAS LOST 350 MILLION PESOS***

Source: *El Bravo*

07/23/2009

"The lack of foresight from the Government of Mexico (GOM) in the grain market has caused Tamaulipas sorghum growers to lose 350 million pesos (approximately U.S. \$26 million). Growers in Tamaulipas stated they have had to sell part of their harvest due to inferior prices and increased production costs. They also maintain that 350,000 metric ton (MT) of sorghum in their warehouses is worth less than 1,800 pesos per MT (roughly U.S. \$133/MT) while the production cost was 2,168 pesos/MT (based on an estimate from the Bank of Mexico). Growers directly blame the lack of foresight on Agriculture Secretary, Alberto Cárdenas Jimenez. They claim that on repeated occasions, they requested the implementation of the Forward Contract's program to protect against declining sorghum prices. Growers have demanded the GOM fulfill their agreement commitment that non-sold sorghum under the Forward Contract program be paid to a minimum of 2.15 pesos/MT.

"According to Mortimer Cabrera, President of the Regional Agricultural Union of North Tamaulipas, 'On June 17, grower organizations in the region met with the chairman of the National Farmer's Confederation (CNC) in order to immediately implement a program to protect the sorghum crop value in conjunction with prices on the Chicago Stock Exchange.' Cabrera claimed this would guarantee a price to growers of at least 2,100 pesos /MT (price lower than production costs). 'Even though ASERCA's director agreed, this agreement has been not honored by ASERCA and as it was expected, sorghum prices continue to fall under the Forward Contract's scheme,' said Cabrera. Pressured by the expiration of their agricultural loans, producers are expected to demand compliance of this arrangement. 'If the GOM has no desire or ability to meet the challenges of trade liberalization, the immediate renegotiation of NAFTA's agricultural chapter should take place,' finished Cabrera."

## COMMENTS

Since March, ASERCA (SAGARPA's Support and Services for Agricultural Commerce) has attempted to set up the Forward Contract program with sorghum growers and buyers for approximately 70 percent of last year's production in Tamaulipas (approximately 1.3 MMT). However, sources point out that sorghum crop contracts under this program for the 2008/09 fall/winter crop cycle were almost impossible to find. The main concern was the inability to hedge adequately, and buyers were not willing to enter into contracts. This apparent lack of interest by buyers was due to the weakening of the Mexican peso relative to the U.S. dollar. Since August 2008, the peso exchange rate decreased from 10 pesos to more than 15 pesos to the U.S. dollar (in March) despite the Central Bank of Mexico's interventions.

The other problem is that over the past year many buyers set up high-priced sale contracts that generated losses when grain prices collapsed, economies weakened, the peso began to devalue and credit became tight. Many end users in the animal feed industry were also afraid that the Mexican peso would continue to weaken in 2009 as well as the market for their products (i.e., poultry, pork and beef). In addition, some sorghum growers (who published the announcement in *El Bravo*) decided to take a speculative position on sorghum prices and hope that prices would increase again.

After the several growers noticed that sorghum prices continued to decrease, ASERCA launched two additional emergency support programs for Tamaulipas growers. The first program, "sorghum

for pork producers," offered assistance for 200,000 MT at a price higher than the market price. It ran for one day. The GOM also announced an additional program for approximately 130,000 MT during the last week of July. ASERCA is currently still negotiating with growers and buyers the sorghum price for those amounts that could be set at around 2,195 pesos per ton (current exchange rate has averaged around 13 pesos/U.S. dollar), which is a price that would offset higher production costs. However, many growers have already sold their crop at the current market price. Sources estimate that more than 250,000 MT could have been sold at this price (1,800 pesos/MT). Consequently, they estimate that no more of 100,000 MT of sorghum is still in storage, which represents only five percent of total sorghum production in Tamaulipas. Sources state that the growers who are complaining against NAFTA and the lack of GOM support are the ones who have not yet sold their crop. They are also the ones who chose not to participate in the Forward Contract program and instead to speculate on market prices.