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GAIN Report

Global Agricultural Information Network

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POLICY

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Mexico Announces New Grain Subsidies to Address Low Prices

Report Categories:

Policy and Program Announcements

Grain and Feed

Oilseeds and Products

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Report Highlights:

On July 18, 2018, Mexico's Secretariat of Agriculture, Livestock, Rural Development, Fisheries and Foodstuffs (SAGARPA) announced in the Mexican Federal Register ("*Diario Oficial*") new grains and oilseed supports offered in several Mexican states (listed below). All the new supports apply to the 2017/18 fall/winter crop cycle, or the 2018 spring/summer crop cycle in the case of sorghum from the state of Sinaloa.

General Information:

Introduction: This report summarizes a notice from Mexico’s Secretariat of Agriculture, Livestock, Rural Development, Fisheries and Foodstuffs (SAGARPA), which announces incentives to address the bearish prices faced by corn, sorghum, wheat, and soybeans cultivated in the 2017/18 fall/winter crop cycle in several states (listed below), and sorghum from the state of Sinaloa in the 2018 spring/summer crop cycle. The incentives apply to crops registered under the Forward Contract Program. The notice was published in the *Diario Oficial* (Mexico’s Federal Register) on July 18, 2018.

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.

Title of the Announcement:

[Notice to publicize the complementary incentive to Target Income in the Forward Contract scheme, for the 2017/18 fall/winter agricultural crop cycle, of the eligible products, states, and regions indicated, and sorghum in the State of Sinaloa for the 2018 spring/summer crop cycle, of the Marketing Support Program.](#)

Important Dates:

1. Publication Date: July 18, 2018

2. Effective Date: July 19, 2018

Eligible Commodities: Corn, Sorghum, Soybean, and Wheat

Type of Regulation: Operational

Summary:

On July 18, 2018, SAGARPA announced new government supports in specified states (see below) for corn, sorghum, wheat, and soybeans during the 2017/18 fall/winter crop cycle, as well for sorghum from Sinaloa cultivated in the 2018 spring/summer crop, due to the decline of the prices of these commodities. SAGARPA’s Agency of Commercialization and Agriculture Markets Development (ASERCA – a decentralized administrative body within SAGARPA providing commercial supports to farmers) will provide the supports. The total amount subsidized will be 11.004 million metric tons (MMT), while the total authorized budget is up to 2 billion pesos (roughly \$105 million U.S. dollars) for the volumes accredited under the Forward Contract Program (“AxC”). This total is allocated to the following crops and state/regions:

Complementary Support (Incentive) to Target Price 2017/18 fall/winter crop cycle

Eligible Products	States/Regions	Authorized Volume (MT)
Corn	Baja California, Campeche, Guerrero, Nayarit, Oaxaca, Quintana Roo, San Luis Rio Colorado, San Luis Potosí, Sinaloa, Sonora, Tamaulipas, Veracruz y Yucatán.	6,200,000
Sorghum	Campeche, Nayarit, Quintana Roo, San Luis Potosí, Sinaloa*/, Sonora, Tamaulipas, Veracruz y Yucatán.	2,300,000
Soybean	Nuevo León y Tamaulipas.	4,000
Wheat (durum & bread wheat)	Baja California, Baja California Sur, Coahuila, Chihuahua, Durango, Guanajuato, Jalisco, Michoacán, Nuevo León, Querétaro, Region Lagunera, San Luis Río Colorado, Sinaloa, Sonora, Tamaulipas y Zacatecas.	2,500,000
TOTAL		11,004,000

* / Includes Sinaloa's sorghum from the 2018 spring/summer crop cycle.

This incentive, which falls under ASERCA's AxC Target Price scheme (See 2018 GAIN Report [MX8028](#)), is intended to guarantee growers a minimum price per metric ton produced and marketed. The notice states that program's purpose is to ensure certainty in the commercialization process, and to promote the integration of the agro-food chains of eligible crops. See 2018 GAIN Report [MX8010](#) for more information on the Forward Contract Program.

The notice states that the amount of additional support will be calculated per grower in each sale contract, and will be granted when the income under the contract is less than the amount of the total Target Price. Only growers participating in the Forward Contract Program are eligible.

Post Comment:

Private sources noted that this announcement responds to the fact that international grain and soybean prices have registered a downward trend on the Chicago Board of Trade (CBOT) recently, which has been reflected in the farm gate prices paid to Mexican farmers of these commodities. Despite the existing Forward Contract Program, which provides hedging support to farmers, the farm gate prices that Mexican growers will obtain are lower than the official target prices. In the case of corn, for example, a private analyst estimates the difference between the farm gate prices that Mexican farmers will obtain for deliveries in March 2019 will be approximately 286 pesos/MT below the official Target Price of 3,960 peso/MT.

As a result, ASERCA will provide support payments through this notice that allow mitigation of the adverse impact on the income of corn, sorghum, soybean, and wheat growers. In addition, the Secretary of Agriculture recently declared that the Forward Contract Program benefits around 240,000 growers in 10 crops, covering 20 MMT of basic grains and oilseeds. All these covered commodities automatically enter the Target Price scheme.

For More Information

FAS/Mexico Web Site: We are available at www.mexico-usda.com.mx or visit the FAS headquarters' home page at www.fas.usda.gov for a complete selection of FAS worldwide agricultural reporting

Report Number	Title of Report	Date Submitted
MX8028	Mexico Announces Increased Target Prices for Key Staple Crops	6/1/2018
MX8024	Lower Wheat and Rice Crops, Average Sorghum Trade Expected	5/30/2018
MX8015	Mexico Announces New corn and Sorghum Support Programs	4/10/2018
MX8010	Slight Changes in Production as Grain Imports Continue Upward Trend	3/7/218
MX8002	Corn, rice, and Sorghum Estimates Increased Slightly	1/18/2018
MX7031	Slight Bump in corn Production, Smaller Wheat Harvest	9/14/2017
MX7024	Mexico Expects Strong Corn Crop Due to Favorable Weather	6/15/2017
MX7007	Average Production Expected as Consumption Growth Slows	3/14/2017