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Mexico Announces Additional Supports for Sorghum and Rice

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Report Highlights:

On November 28, 2014, Mexico's Secretariat of Agriculture, Livestock, Rural Development, Fisheries and Foodstuffs (SAGARPA) announced in Mexico's Federal Register (*Diario Oficial*) specific guidelines applicable to the 2014 crop year for two new support programs available in the states of Sinaloa and Tamaulipas for sorghum growers and buyers as well as rice supports offered in several Mexican states. On November 27, 2014, SAGARPA's agency of Commercialization and Agriculture Markets Development (ASERCA) announced updated price levels associated with the Income Target Price Program.

Report Highlights:

On November 28, 2014, Mexico's Secretariat of Agriculture, Livestock, Rural Development, Fisheries and Foodstuffs (SAGARPA) announced in the Mexican Federal Register (*Diario Oficial*) specific guidelines for two new support programs available in the states of Sinaloa and Tamaulipas for sorghum growers and buyers, as well as rice supports offered in several Mexican states (listed below), all applicable to the 2014 crop year. Also, on November 27, 2014 SAGARPA's agency of Commercialization and Agriculture Markets Development (ASERCA) announced updated price levels associated with the Income Target Price Program.

Introduction: This report summarizes two announcements from SAGARPA published in Mexico's "*Diario Oficial*" (Federal Register) on November 28, 2014. Also, summarizes an announcement from ASERCA published on its website on November 27, 2014.

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.

Executive Summary: On November 28, 2014, SAGARPA announced two new government supports by which this Secretariat will provide economic support in specified states (listed below) for rice and sorghum during the 2014 agricultural year, due to the decline of the prices of these commodities.

In the First Announcement SAGARPA states the following:

From October 2011 to date, rice prices have registered a downward trend on the Chicago Board of Trade (CBOT). While in October 2011 rice prices registered more than U.S. \$400.00 per metric ton (MT), compared to January 2012 when the price of rice dropped to U.S. \$300.00 per MT. This represented a decrease of 25 percent. Then, in August, 2012, the price of rice recovered to U.S. \$350.00 per MT. Thereafter, rice prices have been declining settling again at less than U.S. \$300.00 per MT in August-September 2014;

In addition, from 2013 to date, Mexico has recorded increased milled rice imports from Vietnam, Thailand and Pakistan (35,000 MT in 2013 and almost 80,000 MT to August 2014). These milled rice imports were made at prices below international market prices, which have caused a downward impact of sales prices paid to Mexican farmers;

Sorghum reference prices from September 2012 to date have registered a sharp decrease of more than 100 percent on the CBOT; declined from U.S. \$333.00 to \$142 per MT, which was reflected in the sorghum, farm gate prices paid to Mexican farmers;

This situation has negatively impacted the profitability of both sorghum and rice growers in certain states. Rice growers were negatively impacted during the 2013/2014 fall-winter crop cycle and the irrigated areas during the 2014 spring-summer crop cycle. Sorghum growers in Sinaloa faced the same

negative profitability impact for the same agricultural crop cycles as for rice. As a result, SAGARPA's agency of Commercialization and Agriculture Markets Development (ASERCA – a decentralized administrative body within SAGARPA providing commercial supports to farmers) will provide support payments that allow mitigation of the adverse impact on the income of rice and sorghum growers.

The Second Announcement states in the General Operational Regulations - REGLAS -(that SAGARPA published for several support programs on December 18, 2013 and later modified on August 1st and September 9, 2014), that as part of the program called “Component of Market Incentive” these supports were included to provide support payments for storage, freight and financial costs.

Also, it states that to secure and strengthen the income of Tamaulipas sorghum growers during the 2013/14 fall-winter crop cycle, it is necessary to implement the support payment for storage, freight and financial costs. The purpose of these subsidies is to cover the cost of the recall due to the temporary surplus of Tamaulipas' sorghum, allowing for the crop to be marketed at another time and to facilitate maritime transport to other domestic destinations that are traditionally grain importers or exported to foreign markets.

Titles of the Announcements:

1. Notice to publicize the incentives to solve specific marketing problems of rice and sorghum for the 2014 crop year to the states listed, Component of Market Incentive.
2. Notice to publicize the incentive for storage, freight and financial costs of sorghum for the 2013/14 fall/winter agricultural crop cycle from the State of Tamaulipas, Component of Market Incentive.

Type of Regulation: Operational

Important Dates:

1. **Publication Date:** November 28, 2014
2. **Effective Date:** November 29, 2014

Eligible Commodities: Rice and Sorghum

Other important features of the Announcements:

First Announcement: The objective is to release the supports (incentives) to solve specific marketing problems for rice and sorghum, during the 2014 crop year to the states listed. The aim is to advocate that the defined “target population” can market their crops with better certainty.

The “target population” of this Announcement is defined as “growers, directly or through their

organizations that have produced and marketed rice during the 2013/14 fall-winter crop cycle and the 2014 spring-summer crop cycle (irrigated area) in the states listed below. This Announcement also includes sorghum growers of Sinaloa.

Support exceptions:

-rice volume that has been supported by hedging

-sorghum that has been supported through compensation bases under the government's Forward Contract Program.

The total amount subsidized by the First Announcement will be:

- 64,000 MT of rice, with a direct grower support of 200 pesos per metric ton (U.S.\$14.40/MT)
- And up to 325,000 MT of sorghum, with a direct grower support of 207 pesos per metric ton (U.S. \$ 14.90/MT)

The lists of states supported are as follow:

RICE

STATE	VOLUME (MT)
2013/14 Fall-Winter	47,000
Campeche	13,380
Colima	170
Jalisco	4,100
<i>Michoacán</i>	800
Nayarit	17,250
Tabasco	900
Tamaulipas	10,400
2014 Spring-Summer	17,000
Veracruz (Early Irrigation)	17,000
TOTAL	64,000

SORGHUM

2013/14 Fall-Winter & 2014 Spring-Summer

Sinaloa	325,000
TOTAL	325,000

According to SAGARPA figures, rice production in the 2013/14 fall-winter crop cycle is estimated to reach 50,167 MT; while Veracruz rice production for the 2014 spring-summer crop cycle is expected at 22,952 MT in the irrigated area.

Regarding sorghum production, SAGARPA's estimation states that Sinaloa's sorghum growers will

produce approximately 1.3 million MT during the two crop cycles (i.e. 2013/14 fall-winter and 2014 spring-summer), a huge increase of 160 percent compared to previous year. Reportedly, this increase was a result of the conversion schemes (i.e. government supports) promoted by SAGARPA, to entice corn growers to plant more yellow corn or sorghum instead of white corn (see 2014 GAIN Report [MX 4020](#) 2014 Grain and Feed Annual).

Second Announcement: The objective of the ASERCA announcement is to unveil supports (incentives) to those who incurred storage, freight and financial costs related to sorghum. These supports only apply to the state Tamaulipas and only for the 2013/14 fall-winter crop cycle.

The “target population” of this Announcement is defined as buyers directly or through their organizations that have sorghum volume from purchase agreements aligned with the 2013/2014 crop cycle in Tamaulipas. The purchase agreements must show proof that they were registered and validated in Tamaulipas’ ASERCA office (Northeast Regional Directorate in Reynosa) during the period June 23 - August 4, 2014, for the “Forward Contract Program”, pursuant to notices published on ASERCA website (www.aserca.gob.mx) on July 9 and July 21, 2014.

The total amount subsidized by the Second Announcement is up to 550,000 MT of sorghum from Tamaulipas in the 2013/14 fall-winter crop cycle, with a direct grower support of 182 pesos per metric ton (U.S.\$185.90/MT) with respect to:

- a. Storage and financial costs during the period July-September, 2014. As of October 1, 2014 the buyer may dispose of sorghum for purposes that he/she decides, or;
- b. Storage and financial costs during the period July-August, 2014. As of September 1, 2014, an incentive for freight will be awarded for the buyer to mobilize sorghum only from the Altamira Port, Tamaulipas, for shipment to foreign markets or for maritime transportation to the port of Progreso, Yucatan, to market it in its area of control.

For a support payment, the “target population” applicant must also provide proof of payment to the grower to a minimum reference price of U.S. \$182.96 dollars/MT of sorghum.

FAS/Mexico Comments:

SAGARPA’s rationale for providing these supports specifically to rice growers in various states and sorghum produced in the states of Sinaloa and Tamaulipas is in response to demands from various grower organizations about low commodities prices and the need for more assistance at the farm level. In addition, the Mexican government’s recognition that it must help the sorghum sector overcome logistical and infrastructure limitations in marketing such large commercial volumes of fall/winter sorghum production that, although produced principally in Tamaulipas, is marketed, processed and consumed in other states. It should be noted that sorghum production reached 3.1 MMT in the 2013/14 fall/winter crop cycle, which is considered historical by official sources. According to the Rural Development Secretary of Tamaulipas, this harvest is the second largest in the state since 1980. Tamaulipas is the main sorghum producing state for the fall/winter crop cycle.

Also, as part of these efforts by the Mexican government to assist select growers impacted by low

commodity prices, on November 27, 2014 ASERCA announced that it had updated the levels of the Target Income Program (See 2003 GAIN Report [MX3098](#) Rules of the Target Income Program for Corn, Wheat & Sorghum).

ASERCA stated that due to current market prices of grains and oilseeds, which directly impact farm gate prices at the expense of their profitability and expected income in several regions, along with the current production costs (i.e. seeds, diesel, fertilizers, etc.), this represents a risk to Mexico’s agriculture. Therefore, ASERCA will implement a supplementary Target Income incentive, under its Marketing and Market Program.

Following are the crops and new target prices that are included in the “Target Income” Program

CROP	Target Income (Pesos/ Ton)
Bread Wheat	4,000.00
Crystalline Wheat (durum)	3,750.00
Rice	3,650.00
Cotton	21,460.00
Corn	3,300.00
Sorghum	2,970.00
Safflower	6,600.00
Canola	6,600.00
Soy	6,600.00
Sunflower	6,600.00

Exchange Rate (December 2,, 2014) US \$1.00 = 13.82 pesos

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.

Other Relevant Reports Submitted by FAS/Mexico

Report Number	Title of Report	Date Submitted
MX4073	Grain and Feed October Update Mexico	10/17/2014
MX4059	Grain and Feed July Update	07/31/2014
MX4020	2014 Grain and Feed Annual	03/14/2014
MX4009	Low Prices Help Drive Down Mexico Corn Production, While Sorghum, Rice and Dry Bean Production Up	01/31/2014

MX3078	Extreme Weather conditions Bring Mixed Result to Mexico's Grain Production	10/31/2013
MX3024	Favorable Growing Conditions for Higher Corn, Wheat, and Dry Beans Forecast, Sorghum Mixed, Rice Down	3/15/2013
MX3010	Grain Production Up Due to Good Weather Conditions	01/29/2013