

# MEXICO

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Since the transition period of the North American Free Trade Agreement (NAFTA), some market interventions have been drastically reduced. However, some reversal of this trend has occurred in recent years with the introduction of a Target Income Program for some crops and an increase in energy and irrigation subsidies.

The Target Income Program provides direct support to producers of corn, wheat, sorghum, barley, cotton, and a few other crops in certain regions of the country that have a marketable surplus. Under this program, payments are provided to producers for the difference between the market price of the eligible commodities and the “Target Income”. The market price is defined by the Support and Services for Agriculture and Livestock Marketing Agency (ASERCA) within the Secretariat of Agriculture, Livestock, Rural Development, Fisheries and Foodstuffs (SAGARPA) based on prices offered by buyers during the harvest season and international/regional prices, among other factors. The electricity program lowers the price of electricity used for agricultural activities. The electricity price is set at \$0.03 per kwh, which is one fifth of the price paid by urban consumers. Additionally, the diesel program reduces the price of diesel used for agricultural activities by providing tax concessions. The effective price paid by farmers is 44% less than the market price.

## CORN AND SORGHUM

- The target price for corn is 2,100 pesos/MT (about \$3.96/bu) from 2008/09 to 2013.
- Corn producers also receive an income subsidy support through the government program PROCAMPO. A flat-rate payment of 1,160 pesos/ha (\$44/ac) farmers with production areas between 1 and 5 ha (2.5 and 12 ac) while those with over 5 hectares receive 963 pesos/ha (about \$37/ac).
- SAGARPA provides a support payment for the storage cost of white corn in Sinaloa and for animal feed in Sonora, Jalisco, Nayarit, and Sinaloa for fall/winter crop and a support payment program for the transportation costs of Sinaloa corn consumed in Jalisco and Sonora, with a payment of \$11.10/MT (approximately \$0.30/bu).
- SAGARPA also supports the transportation costs and/or coastal shipping costs of white corn from Sinaloa.
- Since the implementation of NAFTA, the out-of-quota bound tariff on corn has been reduced from 206% to 37%. The TRQ quota has increased from 2.5 MMT (approximately 98 million bu) to 3.515 MMT (138 million bu). Out-of quota tariff was reduced to 18.4% in 2007, and to zero after 2007.
- Target income for sorghum producers is 1,785 pesos/MT (about \$3.36/bu) from 2008/09 to 2013.

- Similar to corn, farmers with sorghum production areas between 1 and 5 ha (2.5 and 12 ac) receive 1,160 pesos/ha (\$44/ac) while those with greater than 5 ha receive a flat-rate payment of 963 pesos/ha (about \$37/ac).
- In October, 2008, SAGARPA announced the support programs available for Sinaloa white corn during the 2007-08 fall/winter season. It is estimated that SAGARPA provides \$1.280 billion pesos (approximately U.S. \$100 million dollars) of support covering 3.85 million tons of white corn production.

## COTTON

- The target price for cotton is \$0.42/lb from 2008/09 to 2013.
- Cotton producers also receive a per hectare income support subsidy through PROCAMPO. Under this program, farmers with production areas between 1 and 5 hectares receive 1,160 pesos/ha (approximately \$109/ha) and 963 pesos/ha to farmers with more land (\$90.50/ha).

## RICE

- The target income support price for rice is 2,940 pesos/MT (\$5.94/bu) from 2008/09 to 2013.
- Rice producers also receive an income support payment through PROCAMPO.
- As of January 21, 2009, U.S. rice exports to Mexico must be treated with methyl bromide in order to enter Mexico due to concerns over *Tilletia barclayana* (false smut).

## SOYBEANS

- Similar to corn and sorghum, soybean producers who farm more than 5 ha receive 963 pesos/ha (about \$37/ac) while farmers with small area (between 1 and 5 ha or 2.5 to 12 ac) receive 1,160 pesos/ha (\$44/ac).
- The target income support price for soybeans is 4,200 pesos/MT (\$8.49/bu) from 2008/09 to 2013.
- With reforms in Mexico's domestic crop support programs, imports have virtually displaced domestic soybean production. Nearly all imports come from the U.S.

## SUGAR

- The Mexican Government maintains domestic sugar prices above international prices through different policies. The reference in 2008/09 is 5,500 pesos/MT (\$407.7/MT).
- Mexico and the U.S. have a comparable set of prohibitive over-quota tariffs on sugar imports. The over-quota tariff on raw sugar is \$0.338/kg (\$0.15/lb) and \$0.36/kg (\$0.16/lb) for refined sugar.

- Numerous financing-related subsidies such as debt restructuring, borrowing concessions, and government-backed financing for mills are also given to the sugar sector.

## W H E A T

- The target income support price for wheat is 2,730 pesos/MT (\$5.51/bu) from 2008/09 to 2013.
- On February 16, 2009, SAGARPA announced that ASERCA will provide a support of 50% of the hedging costs (“Put” or “Call” options) of wheat grown in the Mexican states of Sonora and Baja California to protect wheat growers and buyers from international price fluctuations through option purchases. The support is limited to 600,000 MT.
- On March 2, 2009, ASERCA announced the support prices for wheat in Baja California and Sonora as 300 pesos/MT (\$19.47/MT) and 250 pesos/MT (\$16.22/MT), respectively.
- Through PROCAMPO, a flat-rate payment of \$90.59/ha (about \$37/ac) is given to wheat producers. Additionally, farmers with wheat production areas of between 1 and 5 ha (2.5 to 12 ac) receive approximately \$109/ha (\$44/ac).