

USDA Foreign Agricultural Service

# GAIN Report

Global Agricultural Information Network

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## Mexico

**Post:** Mexico

### Mexico Announces Three Incentive Programs to Address Corn Surplus

**Report Categories:**

Policy and Program Announcements

Grain and Feed

Trade Policy Monitoring

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**Report Highlights:**

On November 16, Mexico published three notices announcing incentive programs intended to address an oversupply of corn in certain parts of the country. In particular, the incentives target corn used for livestock production in the Bajio region, corn exported from Sinaloa, and corn sold to the state company DICONSA.

## General Information:

**Introduction:** This report summarizes three notices that announce incentives to address marketing problems faced by corn cultivated in the 2016/17 fall-winter cycle in Sinaloa, as well as the 2017 spring-summer crop cycle in the states of Guanajuato, Jalisco, and Michoacan. These announcements were published by Mexico's Secretariat of Agriculture, Livestock, Rural Development, Fisheries and Foodstuffs (SAGARPA) in the *Diario Oficial* (Federal Register) on November 16, 2017.

**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.

## Titles of the Notices:

- A) [Notice to announce the incentive to address specific marketing problems of white corn growing in the 2017 spring-summer crop cycle, under the Commercialization Support Program.](#)
- B) [Notice to announce the incentives to address specific marketing problems of corn growing in the 2017 spring-summer crop cycle, for the states of Guanajuato, Jalisco and Michoacan, for livestock consumption, under the Commercialization Support Program.](#)
- C) [Notice to announce the incentive to address specific marketing problems of the surplus volume of white corn from the 2016/17 fall-winter crop cycle for the state of Sinaloa, under the Commercialization Support Program.](#)

## Important Dates:

1. **Publication Date:** November 16, 2017
2. **Effective Date:** November 17, 2017

**Eligible Commodities:** Corn

## General Summary and Comment

These three notices announce new temporary incentive programs to encourage consumption of Mexican corn, due to oversupply in key regions. The programs provide a \$300 MXN per ton incentive for up to 500,000 metric tons (MT) of corn to be used in Guanajuato, Jalisco, and Michoacan (known as the Bajío region) for livestock consumption, a \$300 MXN per ton incentive for up to 1,000,000 MT of corn from Sinaloa to be exported, and a \$1,250 MXN per ton incentive for up to 120,000 MT of corn to be sold to the state enterprise DICONSA. Please see the next section for additional details on each of these programs.

Private sources have indicated that as a result of the cutbacks in the budgets of the of the main support programs, such as the Forward Contract Program (see 2017 Gain Report [MX7007](#)), the support coverage for buyers participating in this scheme has been eliminated. The support to growers has been reduced from 85 percent to 75 percent of the coverage cost (i.e. "put" or "call"). In addition, the level of the "basis" established under the terms of this program by the Agency for Marketing Services and

Development of Agricultural Markets (ASERCA) for the 2016/17 fall-winter and 2017 spring-summer crop cycles were not competitive for buyers, particularly those in the livestock and animal feed sector. ASERCA's "basis" prices for white corn are inflated by a premium, as white corn is preferred for tortillas (probably the most important source of calories for many Mexicans) in the domestic food market. These factors resulted in many buyers withdrawing from the program and finding better-priced alternatives in the international market, and even domestically outside of the traditional support programs. Animal feed industry sources pointed out that big poultry companies, for example, have found imported U.S. corn prices more attractive, even when taking into account this \$300 MXN/MT incentive. ASERCA is the SAGARPA agency responsible for these and other incentive programs.

Regarding the incentive for white corn exports from Sinaloa, private sources stated that these types of exports have been handled principally by medium and small traders, who export mainly to countries such as Venezuela and Kenya (which account for over 90 percent of Mexico's total 2017 exports to date by volume). It is expected that these countries will continue to be the main destinations for the white corn covered under this incentive program.

Mexico has a long history of implementing similar export incentives in years of surplus. Mexican government officials have consistently reiterated that these programs fall under the agricultural subsidy limits Mexico has agreed to at the World Trade Organization.

### **Detailed Summary of Notices**

Each of the notices indicates that the 2013-2018 Agricultural, Fisheries and Food Development Program includes the Operational Rules for the Commercialization and Market Development (see 2014 GAIN report [MX4006](#)). As a part of these Operational Rules, incentives were defined to address specific commercialization problems. Following is a rough translation/summary of each notice.

**Notice A:** Notice to announce the incentive to address specific marketing problems of white corn growing in the 2017 spring-summer crop cycle, under the Commercialization Support Program

Justification: Notice A states that the presence of corn surplus in the 2107 spring-summer crop cycle represents an imminent risk to the process of collection, conservation, mobilization, purchase and sale, distribution, and delivery of the product, which is expected to impact the costs of services in this process. Also, the incentive outlined in Notice A is intended to support producers regarding the registered corn volume under the Forward Contract Program in the 2017 spring-summer crop cycle. It is also intended to encourage the withdrawal of corn from the market for storage for a specific period, to avoid a fall in prices that would result from the surpluses, ultimately benefitting producers' income. Given current conditions, SAGARPA foresees a marketing problem in which the corn suppliers do not find buyers due to domestic and international supply factors making it less competitive to move the product out of the zones with surpluses to deficit areas. Additionally, the support program will have an import substitution effect, thereby maintaining the agro-food trade surplus. For those reasons, it is determined appropriate to publish this Notice in order to defray a part of the costs of the services incurred in storage, financial and freight costs of warehouses of origin and destination.

Purpose: To inform the interested parties of the incentive to address specific problems of commercialization of white corn cultivated in the 2017 spring-summer crop cycle, to support producers,

producer organizations and companies that commercialize with DICONSA (a parastatal company), through the Forward Contract Program, and to offset the storage, financial, and freight costs of warehouses of origin and destination for the supply of the final consumer. And thereby ensure the marketing of surplus crops in competitive producer price conditions, and the fulfillment of the volumes agreed under the Forward Contract Program, to the benefit of growers' income.

**Target Population:** Individuals of legal age and companies legally constituted in accordance with Mexican legislation that participate in the Forward Contract scheme and register with ASERCA term purchase agreements signed with DICONSA or its suppliers.

**Volume and Amount of Support:** An estimated volume of up to 120,000 metric tons (MT) of white corn from the 2017 spring-summer crop cycle, with a support amount of \$1,250.00 MXN per metric ton traded (\$64.11 USD/MT), up to an estimated total budget of 150 million pesos (approximately \$7.7 million USD).

**Notice B:** Notice to announce the incentives to address specific marketing problems of corn growing in the 2017 spring-summer crop cycle, for the states of Guanajuato, Jalisco and Michoacan, for livestock consumption, under the Commercialization Support Program

**Justification:** Notice B indicates that this incentive is intended to support corn from the states of Guanajuato, Jalisco, and Michoacan that is destined for the livestock sector of those states, for the 2017 spring-summer crop cycle. The incentive is expected to encourage the participation of the livestock sector in Forward Contract scheme, as well as guarantee that producers may sell their crops in competitive conditions. Currently, the domestic corn market is characterized by a high level of inventories due to the increase in production in Sinaloa, from 300,000 MT in the 2016 spring-summer crop cycle to 800,000 MT in the same crop cycle in 2017 (as of September 2017, 60 percent of the planted area has been harvested). This situation affects the commercialization and displacement of 2017 spring-summer crop cycle corn production in the states of Guanajuato, Jalisco, and Michoacan. Notice B also points out that the livestock sector is understood as: livestock producers, transforming industry and animal feed manufacturers.

**Purpose:** To announce the incentive to address specific marketing problems of corn of the 2017 spring-summer crop of Guanajuato, Jalisco and Michoacan, registered in 2017 Forward Contract scheme for consumption of the livestock sector of those states, in order to compensate marketing expenses. Support payments must be in accordance with the criteria, requirements and provisions established in the Operating Rules.

**Target Population:** Persons legally constituted under Mexican law, who participate as buyers directly or through a third party, in contracts for the sale of corn from the states of Guanajuato, Jalisco and Michoacan, whose registration and destination is for consumption is the livestock sector.

**Volume, Amount of Support and Budget:**

- Corn must be from the 2017 spring-summer crop cycle and grown in the states of Guanajuato, Jalisco and Michoacan.
- A budget of up to \$150 million MXN (roughly \$7.7 million USD), is provided to support a volume of up to 500,000 MT of corn.

- The incentive amount is \$300 MXN per metric ton (\$15.39 USD/MT)
- Product Delivery: In collection centers at source that are registered with ASERCA.

**Notice C:** Notice to announce the incentive to address specific marketing problems of the surplus volume of white corn from the 2016/17 fall-winter crop cycle for the state of Sinaloa, under the Commercialization Support Program

Justification: Notice C states that to promote market order in the state of Sinaloa, it is essential to implement an incentive program due to the current corn surplus. Above all, this will provide producers the certainty of selling their crops at a competitive price.

The notice indicates that in the 2016/17 fall-winter crop cycle, Sinaloa registered corn production of 5.5 MMT, based on data from the Agro-Food and Fisheries Information Service (SIAP), as of September 30, 2017. Although this is ten percent lower than the production obtained in the previous fall-winter cycle, it is 25 percent higher than the average from 2012 to 2016, due to increases in harvested area and yield per hectare of 14 and nine percent, respectively, compared to the average.

The notice further states that the demand for corn in the Sinaloa zone of influence last year (up to the beginning of the corn harvest for the 2016 spring-summer crop cycle in October) was 4.2 MMT. Assuming the same level of demand for the 2016/2017 cycle, it is estimated that the surplus in Sinaloa will be approximately 1.2 MMT. In order to ensure this surplus does not negatively influence corn commercialization in the 2017 spring-summer crop cycle, it is necessary to promote the placement of this volume for use other than national (domestic) consumption among the participants of the Forward Contract scheme.

Purpose: To announce an incentive to address specific problems of marketing the surplus volume of white corn from the 2016/17 fall-winter crop in Sinaloa, registered in accordance with the Forward Contract Program, in order to compensate buyers for part of their marketing expenses for use other than domestic consumption (i.e. export), as well as to establish the specifications for granting this incentive in accordance with the criteria, requirements, and provisions established in the Operating Rules.

Target Population: Persons of legal age and legal entities constituted in accordance with Mexican legislation, who have participated as buyers directly or through a third party, in contracts for the sale of white corn from the state of Sinaloa, whose registration and destination is different from that of national consumption, in accordance with the Forward Contract Coverage Notice.

Volume, Support Amount and Budget:

- Authorized Volume: 1.0 MMT of white corn
- Eligible Product: White Corn
- Federal Entities: State of Sinaloa
- Agricultural Cycle: 2016/17 fall-winter crop cycle
- Amount of Support: \$300 MXN per metric ton (\$15.39 USD/MT)
- Budget: \$300 million MXN (approximately \$15.4 million USD)
- Product Delivery: In collection centers at source that are registered with ASERCA.

Period and Port of Shipment: The shipment period for white corn under this incentive is established between May 1, 2017 and April 30, 2018, and the port of shipment is Topolobampo, Sinaloa. In the case of shipments beyond the established deadline, they will be subject to authorization from the Executing Agency (i.e., ASERCA).

For More Information: FAS/Mexico Web Site: We are available at [www.mexico-usda.com.mx](http://www.mexico-usda.com.mx) or visit the FAS headquarters' home page at [www.fas.usda.gov](http://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
<a href="#">MX7046</a>	Mexico to Begin Importing Argentine Wheat	10/23/2017
<a href="#">MX7031</a>	Slight Bump in Corn Production, Smaller Wheat Harvest	9/14/2017
<a href="#">MX7024</a>	Mexico Expects Strong Corn Crop Due to Favorable Weather	6/15/2017
<a href="#">MX7007</a>	Average Production Expected as Consumption Growth Slows	3/14/2017
<a href="#">MX7001</a>	Increased Acreage, Good Weather Boost Corn Production	2/3/2017
<a href="#">MX6031</a>	Wheat, Corn, and Sorghum Estimates Down Slightly; New Rice Program Announced	9/1/2016