

The Mexican government has implemented the Price Guarantee Policy for 5 agricultural products to increase domestic productions and reduce imports.

Center for Sustainable Rural Development and Food Sovereignty Studies (CEDRSSA), under the Chamber of Deputies, revealed the results of studies on the government policy on price guarantee to promote domestic production of agricultural and food products, namely, corn, beans, rice, wheat and cow's milk, that will help more than two millions small and medium sized farmers, most live in poverty and are underprivileged. This policy is part of the plan to enhance the food self-sufficiency of the country and reduce the increasing food import volumes, that pursues the Mexican actual agricultural policy. The studies show that this mechanism can help increase the domestic production of primary foods and, consequently, reduce the import volumes of such products from abroad. Although, the outcome still cannot be predicted at this moment.

The report refers to statistics in 2017 when Mexico had to import a large amount of food products for domestic consumption, such as rice (87% from total consumption were imported), beans (12%), corn (37%) and cow's milk (20%) and still increasing in this year. This urges the government to seek measures to promote the food self-sufficiency, for example, this price guarantee policy and establishment of SEGALMEX, who will respond to the policy by purchasing products at guaranteed price.

Currently, the policy covers 5 types of agricultural and food products, namely, corn, beans, rice, wheat and cow's milk, which have been seeing decrease in the average annual growth rate, as following details:

- **Corn** The average annual growth rate of corn production in Mexico has decreased to 1.8%, from 1994 to 2017. The cultivation areas have also decreased from 9.2 million hectares to only 7.5 million hectares. Although, the production volume has increased from 18.2 million tons to 27.8 million tons, resulting from the better production capacity per hectare, which increases from 2.2 tons to 3.8 tons.
- **Beans** The average annual growth rate of domestic beans production is at -0.6%%, from 1994 to 2017. The cultivation areas have also decreased from 2.3 million hectares to 1.7 million hectares.
- **Rice** The average annual growth rate of rice production increased by 1.9% from 1980 to 1989, which was the last year of price guarantee for rice policy. The cultivation areas also increased from 154,000 hectares to 193,000 hectares. However, the rate has decreased to -2.4% from 1989 to 2017. In 1989, Mexico produced 527,000 tons of rice, but in 2017 the volume reduced to only 266,000 tons. Also, the cultivation areas decreased to 42,000 hectares.

- **Wheat** Wheat has an average annual growth rate, from 1989 to 2017, of -0.8%, due to the amount of production which reduced from 4.4 million tons to 3.5 million tons. As well as the cultivation areas that decreased from 1.2 million hectares to 622,000 hectares.

With this price guarantee policy, the selling price of cow's milk will be at 8.20 pesos per liter, increased from the original price that the merchant used to buy from the farmers at between 6.70 to 7 pesos per liter. Price per ton for wheat will start at 5,790 pesos, rice at 6,120 pesos, beans at 14,500 pesos and corn at 5,160 pesos.

However, experts and businessmen from food sector have pointed out the potential risks and failures of this policy. They think that it may cause price increases for some product or lack of some type of food, because the farmers will cultivate other types of crops instead if the price is set lower than the market price. On the other hand, if the guaranteed price is set higher than the market price, Mexico could lose its competitiveness in the agricultural sector.

Source: <https://agronoticias.com.mx/2019/01/28/fijar-precios-de-garantia-esfuerzo-gubernamental-que-ayudara-a-dos-millones-de-agricultores-pequenos-y-medianos>
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