(2) PRODUCTION POLICIES

Production Subsidy Programs and Domestic Pricing Policy

The primary government program for stimulating production since 1953 has been the use of guaranteed prices. Soybeans, safflower, cottonseed, sesame and copra were included in the guarantee price policy in 1971. The guaranteed price for soybeans was modified every 15 days during marketing period basis world prices.

With the exception of corn and beans, all guaranteed prices were eliminated in 1989. For soybeans, the guaranteed price was retained but in a different form. In 1989 and 1990 the guaranteed price was based on the Chicago Board of Trade (CBOT) cash price plus US$22.87 (the transportation cost to Mexico) plus 11%.

Commencing with the 1991-92 crop the guaranteed price for soybeans was replaced by a "commercialization price" (which the processor must pay for his domestic supplies) negotiated each year by the processors, growers and the government, based on the growers production cost (900-920,000 pesos/tonne in 1992). The processor is reimbursed, by the Secretaría de Agricultura y Recursos Hidráulicos/ASERCA, the difference between his purchase cost (the growers production cost) and the theoretical landed cost in Mexico of imported soybean (the CBOT cash price and freight, insurance, duties and taxes)

In the case of soybeans, in 1990 and 1991, the government increased the customs duty from 0 to 15% during the harvesting and marketing period (Aug 1 to Jan 31) to strengthen the domestic price for growers.

With the elimination on January 12, 1992 of the agreed retail price control on corn oil all vegetable oils, corn and fats are now free of price controls and are allowed to freely fluctuate basis supply and demand and in competition with each other. Retail prices in August 1992 in a Mexico City supermarket were as follows:

Olive oil	19,990 pesos/946 ml
Corn oil	4,720 pesos/litre
Cartamo (safflower) oil	3,250-3,930 pesos/litre
Sunflower oil	2,990-3,100 pesos/litre
Blended vegetable oil (incl canola)	2,590-3,050 pesos/litre

(Exchange rate X .000389)