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Approved by:

R. Todd Drennan

U.S. Embassy Mexico

Prepared by:

Benjamin Juarez, Dulce Flores, Salvador Trejo, Donna Chase

Report Highlights:

Mexico Will Appeal Over Sugar Row*UFW Calls for a World Boycott Against U.S. Apples*Mexican Economy Slowdown Continues*Interest Rates Rise on Higher Inflation Forecast*Mexico to Dump 250,000 Bags of Coffee*Illegal Logging Accounts for Half of Mexico's Wood*Mexico Plans to Extend China Duties

Includes PSD changes: No
Includes Trade Matrix: No
Unscheduled Report
Mexico [MX1], MX

Welcome to Hot Bites from Mexico, a weekly review of issues of interest to the U.S. agricultural community. The topics covered in this report reflect developments in Mexico that have been garnered during travel around the country, reported in the media, or offered by host country officials and agricultural analysts. Readers should understand that press articles are included in this report to provide insights into the Mexican "mood" facing U.S. agricultural exporters. Significant issues will be expanded upon in subsequent reports from this office.

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MEXICO WILL APPEAL OVER SUGAR ROW

On Monday, August 13, 2001, Commerce Secretary Luis Ernesto Derbez told reporters at a weekly meeting that the government will appeal a June 22 World Trade Organization ruling that its anti-dumping duties on imports of U.S. corn-based sweetener violate international trade law. Secretary Derbez, however, did not directly say if Mexico also would appeal an August 3 ruling to the same effect by a panel of the North American Free Trade Agreement but implied that one appeal was linked to the other. (Source: *The News*, 8/14/01)

UFW CALLS FOR A WORLD BOYCOTT AGAINST U.S. APPLES

Local newspapers report that the most important farmer's union in the United States, United Farm Workers (UFW), is analyzing the possibility of calling for a worldwide boycott against U.S. apples, due to the bad working conditions of the Mexican workers in that sector. Last week, representatives of the state of Washington, farm workers and industry rendered testimony before the Labor Cooperation Agreement Committee of North America. This Committee will decide if an investigation shall proceed on this issue. The UFW indicated in their demands before this Committee, that the Mexican workers receive lower salaries than they should, they have no adequate medical protection, working conditions are bad, and have no rights to organize. According to the news, there are approximately 40,000 farm workers and 60,000 workers at packing plants working in Washington, where 95 percent are Mexican. However, before a decision for a boycott can be made, the UFW will have to consult with large supermarkets, the transportation sector, and the AFL-CIO. (Source: *El Universal*, *El Financiero*, 8/14/01)

MEXICAN ECONOMY SLOWDOWN CONTINUES

On Wednesday, August 15, 2001, the Finance Ministry (SHCP) announced that Gross Domestic Product (GDP) registered 0.0 percent growth for the second-quarter in 2001 versus the same period in 2000, bringing first-half growth to just 0.9 percent over last year. The government revised the economic growth forecasts downward due to the "U.S.-induced economic slowdown." Earlier this year, the SHCP projected 4.5-percent GDP growth, but that forecast has dropped to between 2 percent and 2.5 percent. Private analysts meanwhile hold even more pessimistic projections. They estimate that Mexico's economy will continue to slow down for the rest of the year due to the prolonged U.S. slowdown. U.S. demand has lessened for Mexican exports and likely tight central-bank monetary policy and government spending for second-half

2001 will add to the slow gross domestic product (GDP) growth, they said. "The Mexican economy still has not completed its deceleration phase, and it's possible that in the third quarter it will show a drop of 0.8 percent in annual terms," a Merrill-Lynch analyst said. Mexico's economy is more intimately linked to that of the United States than most other countries because approximately 80 percent of its exports are consumed by Americans. The U.S. also accounts for Mexico's largest source of foreign investment, which is also expected to drop off. (Source: *El Financiero and The News*, 8/16/01)

INTEREST RATES RISE ON HIGHER INFLATION FORECAST

Mexico's benchmark interest rates rose from last week's record lows as expectations of inflation may push investors to demand higher returns. The yield on the 28-day Treasury Bill, or *cete*, rose to 7.37 percent from 7.24 percent last week when it slipped to its lowest level ever. Some private analysts predicted rates would rise 21 basis points. After falling to its lowest level ever last week on slowing inflation, may not fall much further without a catalyst like an investment-grade rating from Standard & Poor's, according to an economist at ABN Amro Securities in New York. Yields on government debt have fallen as inflation has slowed. In July, 12-month inflation was 5.88 percent, the lowest level since May 1971. The annual rate is expected to fall further in coming months as a strong peso keeps import prices down and the Central Bank maintains a tight monetary stance. Monthly rates tend to rise at the end of the year, though, as companies start trying to raise prices, schools increase fees at the start of the academic year in September, and prices on some foods go up. These factors may lift the monthly inflation rate. (Source: *The News*, 8/15/01)

MEXICO TO DUMP 250,000 BAGS OF COFFEE

According to local newspapers, Mexico will destroy 250,000 60 kg. bags of coffee beans throughout Mexico's coffee producing regions this year, representing a cost of approximately US\$9 million. This action is taken in support of the international agreement between Mexico, Central America and South American coffee producers to eliminate a total of 1.3 million bags of coffee with an estimated value of US\$31.3 million. The agreement calls for a reduction of 5 percent of this year's exportable coffee from Costa Rica, Colombia, El Salvador, Honduras, Nicaragua and Mexico, countries which signed the agreement in an effort to motivate an increase in coffee prices in the international market. (Source: *El Financiero*, 8/15/01)

ILLEGAL LOGGING ACCOUNTS FOR HALF OF MEXICO'S WOOD

According to a local newspaper, the Secretary of the Environment (SEMARNAT), Victor Lichtinger, said 50 percent of the wood used in Mexico is the result of illegal logging. Lichtinger said over the past several decades most of the government's attention has gone to agriculture and cattle-farming, ignoring the needs of the timber industry. At the same time, Aureoles Conejo, deputy for the Party of the Democratic Revolution (PRD), said communities and small landowners control 85 percent of Mexico's forests. It is important to include the 12 to 14 million Mexicans, mostly from indigenous communities, involved in the timber industry in the creation of environmental programs. Also, Raul Arriaga, Undersecretary of SEMARNAT, said his department and the National Forest Commission are reviewing logging permits

throughout Mexico because irregularities have been detected. (Source: *The News*, 8/15/01)

MEXICO PLANS TO EXTEND CHINA DUTIES

On Monday, August 13, 2001, Mexico's economic minister, Luis Ernesto Derbez, said Mexico wants to extend duties on Chinese textile and footwear imports for eight years more as part of bilateral talks with Beijing. Secretary Derbez said the duties, the major point of contention between Mexico and China, seek to protect two key sectors that have been battered by cheap Chinese imports. Mexico is the only World Trade Organization member that has not reached a bilateral pact with Beijing. That could hold up China's 15-year fight to join the WTO. Although Mexico originally said it would not block China's membership even if the bilateral deal were not completed, it seems likely that other WTO members will want to know the details of the deal with Mexico before final approval of Beijing's WTO entry. (Source: *El Financiero*, 8/15/01)

REMINDER FOR PUBLIC COMMENTS ON PENDING PROPOSED REGULATIONS

PROY-NOM-066-FITO-2001: Proposal for modification of the Mexican Official rule concerning requirements and phytosanitary specifications for the transportation of avocado fruits for export and domestic market, dated July 10, 2001. **Deadline for Comments: September 8, 2001.**

PROY-NOM-079-FITO-2000: Requirements and phytosanitary specifications for the production and mobilization of propagative material free of tristeza virus and other types of viruses associated with citrus, dated July 12, 2001. **Deadline for Comments: September 10, 2001.**

Mexican Official NORM NOM-060-ZOO-1999: Specifications for the transformation of animal products and their use in animal feed, dated June 28, 2001. **Final Rule Effective August 27, 2001.**

REPORTS SUBMITTED RECENTLY BY FAS/MEXICO

Report #	Title	Date Sent
MX1122	Weekly Highlights & Hot Bites	8/9/2001
MX1123	Campaign Against the Citrus Tristeza Virus (NOM-031-FITO-2000)	8/13/01
MX1124	Mexico Announces Authorized Entry Points for Textile Products	8/13/01

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AgMexico@fas.usda.gov, ATOMexico@fas.usda.gov.