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Report Highlights: Use of Transgenics Generates Controversy * Campesinos Demand End to Biotech Imports * Mexico Announces Changes to Product Descriptions and Tariff Rates 2001 * Mexico's Imports of Milk Powder from Argentina Causes Uproar * SAGARPA Approves First Meat Verification Point in Mexico * SAGARPA Makes Comment About 2003 * Pineapple MFN Duties Increase

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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USE OF TRANSGENICS GENERATES CONTROVERSY

The United Nations Food and Agriculture Organization (FAO) and the Secretary of Agriculture, Livestock, Rural Development, Fisheries and Foodstuffs (SAGARPA) recognized that genetically modified food has potential benefits to combat malnutrition. Both institutions, however, differ on the control that should be adopted in Mexico for the controversial transgenics. Augusto Simoes, director of the FAO in Mexico, said that the transgenic seeds should be treated with much caution because the long range health and environmental impact has not been determined. In contrast, SAGARPA's Undersecretary of Rural Development, Antonio Ruiz, said that inhibiting the adoption of transgenic seeds reduces Mexican agricultural growers' competitiveness and hinders the fight on rural poverty. During a press conference prior to commemorating World Food Day, Simoes called for caution of transgenics seeds in order to avoid damaging Mexico's phyto-genetic assets: "FAO has a very clear position with respect to genetically modified food," Simoes said. "First of all, we believe that countries that contribute phyto-genetic resources to produce transgenics seeds, have the right to participate in the earnings generated by biotechnology. Frequently, through biotechnology, new medications or improved food are extracted from native plants of developing countries. When this medication or improved food is reintroduced in the original country, that country does not receive any economic benefit." Augusto Simoes also said that FAO observes with great interest recent scientific advances in biotechnology. "FAO is aware that biotechnology could solve the expected food production deficit in the year 2050, when the earth will be populated by 9 billion inhabitants." Simoes, however, recommends being careful with innovations like the enriched, but sterile, corn seeds. "The FAO's general director, Jacques Diouf, has given an official statement indicating this organization is against the introduction of the genetically modified Terminator seed, which is an initiative of the company Novartis. "The adoption of that seed would mean that all agricultural producers, but mainly those of underdeveloped countries, would depend permanently on genetically modified seeds," Simoes said.

Meanwhile, the Mexican Undersecretary of Rural Development, Antonio Ruiz, said that there are many points of view in favor and against transgenics seeds. Ruiz said society has traditionally paid very low prices for certain imported products which have transgenic elements. This import competition is very difficult for Mexican producers to beat: "Mexico does not allow the cultivation of transgenic products, except for cotton. Mexican growers' competitiveness against imported seeds has been reduced since Mexico placed a moratorium on the cultivation of transgenic corn and soybeans." A SAGARPA official indicated that genetically modified seeds require 80 percent less insecticide use and produce higher yield crops. (Source: Reforma; 10/16/2001)

CAMPESINOS DEMAND END TO BIOTECH IMPORTS

On Tuesday, October 16, 2001, campesino organizations from Chihuahua to Chiapas called on President Vicente Fox's administration to block genetically modified (GM) corn allegedly being imported from the United States. Referring to World Food Day as "World Food Sovereignty Day," activists said the government should impose the same import restrictions utilized by Japan, South Korea and the European Union to protect the genetic diversity of corn in Mexico. "While other countries supervise and enforce the importation of food, Mexico throws its doors wide open," said Victor Suarez of the National Association of Commercial Businesses (ANEC) at a press conference. Suarez claimed 1.2 million of the 6 million tons of corn annually imported from the United States are genetically engineered. Last month, the government revealed GM corn had been found growing in the state of Oaxaca. The United States has been targeted as the most likely source of the genetically altered grains. The Fox administration still has not announced how it will respond to the discovery. While Mexico has placed a moratorium on the cultivation of GM corn, imports of the grain go unchecked by border authorities. The vast majority of corn imported from the United States is destined for livestock consumption. But campesinos who have spent years experimenting with new seeds have no way of distinguishing a GM grain of corn from a conventional one. Miguel Colunga, of the Chihuahua Democratic Campesino Front (FDCCH), said he was concerned by the unpredictable health and environmental effects of genetically engineered agricultural products. But, he is more immediately worried that the introduction of GM corn would deepen the growing dependence of small-scale farmers on the world seed market, which has come to be dominated by a handful of companies. Twenty years ago, not a single seed company held even 1 percent of market share; today the top 10 seed firms control 30 percent of the 24.4 billion dollar commercial seed market, according to Rural Advancement Foundation International (RAFI). In the GM seed market, the concentration of corporate control is staggering. Monsanto Company, now a part of Pharmacia Corporation, alone accounted for 94 percent of the total of GM crops sown in 2000, said RAFI spokeswoman Silvia Ribeiro. Yet, the dangers of dependency on GM seeds go beyond monopolistic control of the market, said Ribeiro, Monsanto's genetically engineered seeds, Roundup Ready soybeans, corn, cotton and canola, carry a gene resistant to the Roundup herbicide, also sold by Monsanto. "Their most important consideration is to create dependence on their products," said Ribeiro. "What they want to do is sell more chemicals." (Source: The News; 10/17/2001)

MEXICO ANNOUNCES CHANGES TO PRODUCT DESCRIPTIONS AND TARIFF RATES 2001

On October 12, 2001, the Secretariat of Economy (SE) announced in Mexico's "*Diario Oficial*" (Federal Register) the modifications to and creation of tariff classifications and the applicable rates for 2001 of the General Import Tax Law for goods from countries with whom Mexico has trade agreements.

Specifically, this publication is announcing the modified and new tariff classifications for selected products, including milk based food preparations with a content of over 10 percent of milk solids, but less or equal to 50 percent. The new tariffs are as follows:

TARIFF LINES	DESCRIPTION	<i>ad valorem</i> (%)	Previous <i>ad valorem</i> (%) MFN
0804.30.01	Pineapples (fresh)	35	20
1901.90.03	Milk based food preparations with a content of milk solids over 10 percent but less or equal to 50 percent in weight . Except those comprised in tariff line 1901.90.04	10	10
1901.90.04	Milk based food preparations with a content of milk solids over 10 percent in packages adapted for retail sale and whose label contains indications for the direct use of the product in the preparation of food products or desserts for example.	10	n/a
1901.90.05	Milk based food preparations with a content of milk solids over 50 percent in weight except that which is comprised in tariff line 1901.90.04	109	n/a
2008.20.01	Pineapples (canned)	45	20
TARIFF LINES	DESCRIPTION	<i>ad valorem</i> (%)	Previous <i>ad valorem</i> (%) MFN
4407.29.02	Wood strips of <i>jelutong</i> with a width not exceeding 73mm, and a length that does not exceed 185mm, for the manufacture of pencils	18	n/a
4408.39.01	American mahogonay	18	n/a

Note: The highlighted text for 1901.90.03 is a new addition. Tariff classifications for 1901.90.04, 1901.90.05, 4407.29.02 and 4408.39.01 are new inclusions in Mexico's tariff classifications. These new tariffs are in effect from their publication date --Friday, October 12, 2001.

Additionally, the tariff quota rate for tariff line 1901.90.03 which originally stated "milk based food preparations with a content of milk solids over 10 percent in weight" is suppressed.

The Secretariat of Economy will provide import permits (cupos) exempt from duties for product imported under tariff classification 1901.90.05. No limit on the quantity of product imported under cupos was given.

TARIFF LINES	DESCRIPTION	<i>ad valorem</i> (%)	Previous <i>ad valorem</i> (%) MFN
1901.90.05	Milk based food preparations with a content of milk solids over 50 percent in weight, except those comprised in tariff line 1901.90.04	Ex.	n/a

Note: Over quota imports of this classification will pay a duty of 109 percent.

These changes and modifications to tariff classifications for milk based food preparations were in addition to the Secretariat of Economy's intention of publishing an obligatory labelling regulation for milk. This regulation will obligate the dairy industry to differentiate milk products from those manufactured with milk whey or other milk based products by labelling them as lactic formulas or food complements. This decision came as a result of pressure on the Mexican government from the Mexican Milk Producers Association which has been demanding for several years that processors of whey into fluid-milk substitutes label their product as a "milk type drink" and not as milk.

The pineapple duties established for tariff numbers 0804.30.01 and 2008.20.01, are in effect until September 30, 2002. As of October 1, 2002, duties for these products will be reduced to 23 percent. (Source: Diario Oficial 10/12/01)

MEXICO'S IMPORTS OF MILK POWDER FROM ARGENTINA CAUSE UPROAR

According to a local newspaper, the National Milk Producers Association (ANGLAC) has demanded that the Ministry of Agriculture (SAGARPA) adopt a severe and scrupulous examination of imports of milk powder to avoid possible contamination with Hoof and Mouth Disease (HMD). ANGLAC declared that, to date, the Ministry of Economy (SE) has only issued import permits for 3,000 MT of milk powder from Argentina, while other official government data contrastingly indicates that 9,000 MT have actually been imported from Argentina. Consequently, ANGLAC is now demanding to know who authorized the import of the extra 6,000 MT from Argentina. (Source: El Financiero, 10/15/01)

SAGARPA APPROVES FIRST MEAT VERIFICATION POINT IN MEXICO

Effective October 12, 2001, the Secretariat of Agriculture (SAGARPA), approved the first import verification point on the Mexican side of the border at Colombia, Coahuila, across the border from Laredo, TX. This action was SAGARPA's first official step in trying to comply with Mexico's Animal Health Law that stipulates all import verification points for meat and poultry products must be moved to the Mexican side of the border by December 12, 2001. The Colombia facility is reported to be able to handle 250 inspections a day. SAGARPA officials said that all import verification points on the US side of the border will continue to operate until December 12, 2001. It is not clear, however, what will happen after that. Many of the verification points on the US side of the border are operating under a court injunction, or "amparo". The United States exported more than \$1.2 billion in meat and poultry products to Mexico in 2000. (Source: FAS/OAA/Mexico City)

SAGARPA MAKES COMMENT ABOUT 2003

In a Mexican newspaper article, a Secretariat of Agriculture (SAGARPA) official was reported as saying SAGARPA is well aware that in 2003 TRQs and import tariffs under NAFTA for most agricultural products will be eliminated. In preparation for this, SAGARPA officials have had meetings with different producer groups to discuss possible plans of action. For example, SAGARPA is working with beer companies to develop long-term contracts with Mexican barley producers. The idea is this will provide sufficient incentive to producers to increase production and improve quality to be more competitive with US barley. Another initiative will be to develop quality standards for pork and poultry products. This would mean, for example, that turkey hams will have to be 100 percent turkey and not a mixture of meat products. Mexican pork producers have long complained that processed poultry products have displaced pork consumption in Mexico. While there was no mention of direct or deliberate prohibition of imports, it is clear that Mexican meat and poultry producers are worried about increased competition in 2003. Tariffs and TRQs for corn, beans and milk powder will not be eliminated until 2008. (Source: El Financiero 10/2/01)

PINEAPPLE MFN DUTIES INCREASE

The "*Diario Oficial*" (Federal Register) announced on October 12, 2001, an increase in MFN duties for fresh and canned pineapple. Fresh pineapple will have a 35-percent duty and canned pineapple will have a 45-percent duty. According to local news, these duties are geared to control imports from Thailand and other African countries because of unfair competition. According to sources, pineapple producers from Veracruz were in trouble due to the collapse in domestic pineapple prices created by imported pineapple from Thailand at prices lower than costs of production.

(Source: *Diario Oficial* 10/12/01, *El Universal* 10/13/01)

REMINDER FOR PUBLIC COMMENTS ON PENDING PROPOSED REGULATIONS

PROY-NOM-081-FITO-2001: Proposed rule for the handling and elimination of sources of infestation of nonregulated pests, by means of establishing or regulating planting, harvest and destruction of residue dates. **Deadline for Comments: October 29, 2001.**

REPORTS SUBMITTED RECENTLY BY FAS/MEXICO

Report #	Title	Date
MX1175	Mexican Market for Kosher Food	10/16/01
MX1179	Weekly Highlights & Hot Bites, Issue #36	10/12/01
MX1182	Modifications of HFCS MFN Import Duties	10/12/01
MX1183	Mexico's Monthly Crop Update, September 2001	10/12/01
MX1184	Imports of Select Coffee from the U.S. Exceed 2001 NAFTA Safeguard	10/12/01
MX1185	Announcement on U.S. HFCS Antidumping Case	10/15/01
MX1189	Mexico Announces Changes to Product Descriptions and Tariff Rates	10/17/01

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