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Report Highlights:

New Commission to Help Mexican Customs Fight Contraband*Mexico Losing U.S. Agriculture Market*Mexican Trade Barriers, Unacceptable*Mexico Reports Record Trade Surplus*In Search of the Appropriate Time to Negotiate Quotas for U.S. Beans and Corn*Sweeteners Turning Sour*Agricultural GNP for March Drops 0.2 Percent*Review of the Mexican Legal Framework For Agriculture*CONPAPA Expects the Signing of a Protocol to Export Potatoes to the U.S.*New Technology For Horticultural Crops

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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NEW COMMISSION TO HELP MEXICAN CUSTOMS FIGHT CONTRABAND

According to local newspapers, President Vicente Fox announced the creation of a new commission to strengthen the Mexican Customs Administration and to fight contraband. The federal government will also implement a new program to certify the origin of products entering Mexico. The Finance Secretariat, Economic Secretariat, the Public Policy Office and industrial chambers will participate in the new commission. (Source: *Universal, El Financiero, La Jornada, Milenio*, 5/15/03)

MEXICO LOSING U.S. AGRICULTURE MARKET

According to a local newspaper, Secretary of Agriculture Javier Usabiaga considers the NAFTA has been beneficial to Mexico's primary sector, although he acknowledged that there is much more to be done to take advantage of the best yields and possibilities offered by NAFTA. He admitted that the rural sector continues to be "highly deficient" in its trade activities, thus the average rural prices impede any improvement in income for the sector. (Source: *Reforma*, 05/19/03)

MEXICAN TRADE BARRIERS, UNACCEPTABLE

A group of eight Mexican Senators led by Mr. Jose Bonilla from the Commission of Rural Development, visited members of congress in Washington from the Committees of Finance and Agriculture. The Senators indicated to their counterparts that Mexican producers are losing market share in the domestic market due to low priced U.S. imported products. The Mexican Senators said that the purpose of their visit was to have a constructive dialog to resolve trade disputes between both countries. U.S. Senator from Iowa, Charles E. Grassley, said he expected that too, but the imposition of trade barriers in Mexico to imports of U.S. white corn, pork, beef, HFCS, rice, apples, and beans did not indicate that intent. Furthermore, Senator Grassley suggested that Mexico remove those barriers immediately. (Source: *Financiero*, 5/16/03)

MEXICO REPORTS RECORD TRADE SURPLUS

According to local newspapers, Agriculture Secretary Javier Usabiaga said that Mexico's agricultural exports had been steadily increasing and grew 16 percent in March 2003, compared to the same period last year. Mexico reported a record trade surplus with the United States for the second month in a row. Mexican exports to the United States rose by six percent during March 2003, compared to 9.4 percent in February. (Source: *Reforma, El Financiero, La Jornada*, 5/14/03)

IN SEARCH OF THE APPROPRIATE TIME TO NEGOTIATE QUOTAS FOR U.S. BEANS AND CORN

According to Rocio Ruiz, Under Secretary of Supply and Foreign Trade, Secretariat of Economy (SE), the 2003 corn import tariff rate quota (TRQ) under NAFTA has been filled (3.2 MMT). Moreover, she said that in order to implement the National Farm Agreement, the SE, along with the main farmers associations, will establish six working groups as follows:

1. International trade negotiations.
2. Reviewing the policy for the issuance of import permits (cupos).
3. Reviewing the food safety requirements under NAFTA.
4. Reviewing the unfair trade practices.
5. Strengthening of the domestic market.
6. Promote social economy.

Rocio Ruiz also stated that Mexico's TRQ on corn could be covered only with yellow corn for feed purposes. In this way, Mexico will not be breaching NAFTA agreements. Furthermore, she declared that Secretary Canales, along with his U.S. and Canada counterparts, would be the government officials to initiate negotiations for the new allocation quotas of beans and corn. (Source: *El Financiero*; *El Universal*, 5/12/03)

SWEETENERS TURNING SOUR

According to a local newspaper, Audrey Erickson, President of the Corn Refiners Association (CRA), warned that if negotiations to resolve a sweetener dispute between Mexico and the United States were not successful in the short term, there would be "serious consequences." Erickson said that Mexico was violating WTO and NAFTA trade regulations by imposing a special tax on soft drinks made with high-fructose corn syrup. (Source: *El Financiero*, 5/15/03)

AGRICULTURAL GNP FOR MARCH DROPS 0.2 PERCENT

According to a local newspaper, the agricultural sector presented a decrease of 0.2 percent in real terms in the GNP for the first quarter of the year, the second consecutive quarter with a decrease, although this last drop was moderate in relation to the fall of 4.5 percent registered for the last quarter of 2002. The GOM says it will put several actions in place through the National Agriculture Agreement to jump-start the sector, make it more competitive and reduce the existing asymmetries between Mexico and its two principal trading partners, the United States and Canada. (Source: *El Financiero*, 5/19/03)

REVIEW OF THE MEXICAN LEGAL FRAMEWORK FOR AGRICULTURE

The round table meetings between farmer organization leaders and government officials to assess the legal framework that currently regulates the Mexican countryside, including Article 27 of the Mexican Constitution, were installed May 13, 2003. During the dissertations, Mexican farmers demanded acknowledgment as advisors when drafting new laws that could affect the Mexican countryside as well as participation in the analysis of trade agreements with other countries that have not been passed by the Mexican Congress. The main objective of yesterday's session was to identify current laws and rules that can be modified to comply with the established compromises in the National Agreement on Agriculture. (Source: *El Universal*, 5/14/03)

CONPAPA EXPECTS THE SIGNING OF A PROTOCOL TO EXPORT POTATOES TO THE U.S.

The Mexican Confederation of Potato Producers in Mexico (CONPAPA) trusts that the United States will sign a protocol in the following months so that Mexico can export potatoes. CONPAPA stated that the protocol is essential for a fair trade in fresh potatoes in both countries, since Mexico allowed the entry of U.S. potatoes since March. Programmed plantings will be established for this purpose export in October, November, April and May. (Source: *Reforma*, 5/20/03)

NEW TECHNOLOGY FOR HORTICULTURAL CROPS

Agricultural producers in Mexico are looking to take advantage of maximum planting areas, participating in a new system of protected agriculture named "Biospace." This production system protects horticultural crops from high temperatures in a "house" made out of wire netting that has micro atmosphere modifications, similar to the concept used for greenhouses. If tomatoes were planted in "Biospace," yields would be about 120 MT, compared to 15 MT planted in the open. According to specialists, the cost of production for tomatoes using this new technology are about \$2.20 to \$3.00 pesos/kg (US\$0.21 to US\$0.29/kg), compared to \$4.50 to \$6.00 pesos (US\$0.43 to \$0.58/kg) in a greenhouse. This technology was developed for tropical dry climate areas (the states of Morelos, Puebla, Veracruz, Tabasco, Campeche, Yucatan, Quintana Roo, Chiapas, Oaxaca, Sinaloa, Tamaulipas, San Luis Potosi and Hidalgo) and is being promoted by INIFAP, the government's agricultural research institute. (Source: *Reforma*, 5/19/03)

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