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Report Highlights:

- * LONG-AWAITED NATIONAL ACCORD REPORT ON NAFTA'S EFFECT ON MEXICAN AGRICULTURE CALLS FOR NO RENEGOTIATION
- * CAMPESINO GROUP CALLS FOR REVISION OF NAFTA
- * GIL DIAZ: U.S. ECONOMIC GROWTH WILL HELP MEXICO
- * NATIONAL SCIENCE ACADEMY URGES LOWER HOUSE TO APPROVE BIOSAFETY BILL
- * RISK FOR DOMESTIC CROPS BECAUSE OF IMPORTED TRANSGENIC CORN
- * THE BIOSAFETY LAW IS KEY FOR CORN IN MEXICO
- * UNIFRUT: DOMESTIC PRODUCTION THREATENED BY UNFAIR IMPORTED APPLES
- * MEXICAN ECONOMY REBOUNDS
- * USABIAGA AFFIRMS SUPPORT TO MEXICAN COUNTRYSIDE AMIDST DYNAMIC PERFORMANCE OF AGRICULTURAL SECTOR
- * MORE MEXICAN HASS AVOCADO FOR THE U.S. MARKET

Includes PSD Changes: No
Includes Trade Matrix: No
Unscheduled Report
Mexico [MX1]
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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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LONG-AWAITED NATIONAL ACCORD REPORT ON NAFTA'S EFFECTS ON MEXICAN AGRICULTURE CALLS FOR NO RENEGOTIATION

On April 5, 2004 the Secretariat of Economy (SE) released the study about the evaluation of the NAFTA agricultural chapter and its effect on Mexico's rural sector. This study was called for as part of the Mexican government's obligations under last year's National Agreement on Agriculture and had originally been tasked for completion by December 31, 2003. The study's coordinators concluded that, since NAFTA was signed, both food and rural poverty have increased in Mexico's agricultural sector at the same time as the concentration in wealth has increased. However, the coordinators concluded that the NAFTA agreement was not the decisive factor in this regard and consequently, it is unnecessary to renegotiate the agricultural chapter.

Jose Romero and Alicia Puyana, coordinators of this study, concluded that rural poverty in Mexico has increased as a result of government abandonment of investment in infrastructure as well as the lack of a public (i.e., a national) agricultural policy. Moreover, they concluded that other factors contributed to the agricultural situation, such as the 1995 economic crisis, the peso devaluation and its subsequent over-valuation, the lack of credit for the agricultural sector, deficiencies in the supports systems implemented by the Government of Mexico as well as the trade-distorting policies of Mexico's trade partners through agriculture supports, mainly on productivity, which results in oversupply and lower commodity prices. Other factors included the negative production trend, ineffective Mexican public policies, drought, and an inefficient agricultural market.

The coordinators stated that is necessary to make investments at a rate five times greater than what is being invested now in Mexican agriculture in order to reach equilibrium in the GDP-investment relationship in the agriculture sector, which has been lost. Moreover, they opposed the idea of renegotiating NAFTA's agricultural chapter, as it has provided global benefits, despite the fact that these benefits have tended to concentrate in a small number of farmers, particularly fruit and horticultural growers. At the same time, they said, public policies focused more directly on supporting grain and oilseeds production should have been developed. The farming economy is a viable one, despite a decrease in international commodity prices, because in previous years, yields per hectare increased in Mexico, even in basic grains, the coordinators stated. (Sources: El Financiero and La Jornada; 04/06/2004)

CAMPESINO GROUP CALLS FOR REVISION OF NAFTA

"A thorough revision of the NAFTA agreement is necessary in order to accomplish the goals set under the National Agreement on Agriculture (NAA)," said Max Correa, leader of Mexico's

farmers' coalition "Central Campesina Cardenista." In addition, Cuauhtemoc Cardenas, the moral leader of the Party of the Democratic Revolution (PRD), demanded during the VI Ordinary National Congress, that "the revision of NAFTA's agricultural and forestry chapters is a must, in order to convert the Mexican countryside into a competitive and productive one." (Source: La Jornada; 04/05/2004)

GIL DIAZ: U.S. ECONOMIC GROWTH WILL HELP MEXICO

The Mexican Secretary of Treasury, Francisco Gil-Diaz, stated that U.S. economic growth would allow Mexico to achieve a growth of the gross domestic product (GDP) of 3.1 percent this year. However, he noted that the lack of structural reforms in Mexico will prevent the guarantee of real improvements in employment, increased wages, and general well being among the Mexican populace. In his opinion, maintaining fiscal discipline this year will be crucial to further strengthening the government's finances, due to a possible change in the international economic environment which are bound to adjustments that will be made to address imbalances in the world's main economies, chief among these being the "twin" deficits in the United States. (Source: El Financiero; 04/05/2004)

NATIONAL SCIENCE ACADEMY URGES LOWER HOUSE TO APPROVE BIOSAFETY LAW

The Mexican Academy of Sciences urged the Lower House to give its opinion on the proposed biosafety law, which will regulate Mexico's research activities in the area of transgenics. The Academy's president, Jose Antonio de la Peña, stated that the proposed law has been frozen at the Lower House since April 1, 2003, which has stopped the scientific and commercial monitoring of genetically modified live organisms. Moreover, he said, there is a risk of abuse and discretionary handling of transgenic products, when the Cartagena Protocol, which has been signed by Mexico, is enforced. (Source: La Jornada; 04/01/2004)

RISK FOR DOMESTIC CROPS BECAUSE OF IMPORTED TRANSGENIC CORN

The Inter-Secretarial Commission of Genetically Modified Organisms and Biotechnology (Cibiogem) recognized that more than 30 percent of Mexico's corn imports have some genetic modification, which could be a hazard for domestic crops. A study released by Cibiogem states that U.S. corn exports to Mexico have increased from 1.5 MMT in 1996 to nearly 6.0 MMT last year. This dependence on U.S. corn imports, along with the entry of genetically modified corn, make the situation more difficult for domestic growers of corn. At the same time, the President of the Agriculture Committee at the Lower House, Cruz Lopez-Aguilar, stated that there is a loophole in Mexican regulations, which allows for the importation of genetically modified crops. As a result, domestic growers planting these grains, diminish their crop yields, he said. (Source: Excelsior; 04/01/2004)

THE BIOSAFETY LAW IS KEY FOR CORN IN MEXICO

An analysis of Mexico's proposed biosafety law by Antonio Turrent, researcher at the National Institute of Agriculture, Livestock and Forest Investigations (INIFAP), states that the bill could be a key element in the future of corn in Mexico. The bill has already been approved by the Mexican Senate, but still has to be approved by the Lower House. According to Turrent's study, depending on how this bill is approved, small growers may or may not be able to continue with their thousand year old tradition of cultivar improvement, without their fields being free of strange DNA. The study states that if native corn varieties are exposed to transgenic ones, there is a long-term risk of genetic erosion. (Source: El Financiero; 04/01/2004)

UNIFRUT: DOMESTIC PRODUCTION THREATENED BY UNFAIR IMPORTED APPLES

According to newspaper report, the President of the Regional Fruit Producers Association from the State of Chihuahua (UNIFRUT), Enrique Bautista, indicated that apple imports from the United States are threatening domestic production. Mr. Bautista stated that more than 85 percent of imported apples enter with paying the compensatory duty of 46.58 percent that Mexico established in August 2002. According to UNIFRUT, imported U.S. apples enter at US\$11 per box of 19.05 pounds, which is under the equilibrium price of US\$13.50/box established for the United States and that this is evidence of dumping as shipping costs are about five or six dollars per box. When the Secretariat of Economy announced the final antidumping duties in August 2002, importing companies immediately filed court cases against this measure and in return received 18 court injunctions. Although minimum guarantees have been paid, these court injunctions legally allow those importing companies to import U.S. apples without paying the antidumping duties. (Source: El Financiero 03/30/04)

MEXICAN ECONOMY REBOUNDS

During January 2004 the Mexican economy grew 2.1 percent, the fifth consecutive month of economic expansion, due to good performances in the industrial and agricultural sectors. Production in the agricultural and livestock sector increased 4.2 percent compared to the same period in 2003, due to production increases for mangoes, tomatoes, alfalfa, corn, sesame seed and onions. With the rebound of the Mexican export sector and a buoyant economic growth in February 2004, economists are forecasting Mexico's economy to expand overall in 2004. (Source: El Universal; 03/26/2004)

USABIAGA AFFIRMS SUPPORT TO MEXICAN COUNTRYSIDE AMIDST DYNAMIC PERFORMANCE OF AGRICULTURAL SECTOR

Mexican Secretary of Agriculture, Javier Usabiaga, highlighted the importance of the agricultural and livestock sector in the Mexican economy. Usabiaga said that during February 2004, trade of Mexican goods to foreign markets showed a dynamic increase of 14.1 percent. However, despite these optimistic National Institute of Statistics, Geography and Cybernetic Science's (INEGI) figures, Usabiaga recognized that "we cannot walk away from the reality of the Mexican countryside nor leave aside the fact that we are far from reconciling the poverty and exclusion of the rural sector." While criticizing the "paternalistic policies" and the "dark ages" of previous PRI administrations, Usabiaga reiterated his commitment to Mexican producers to provide them with the appropriate mechanisms to help them improve both their working conditions as well as their way of life. (Source: El Financiero; 03/26/2004)

MORE MEXICAN HASS AVOCADO FOR THE U.S. MARKET

For MY 2003/2004, Mexican Hass Avocado exports to the United States are expected to increase to 41,000 MT, -- a projected value of U.S.\$45 million. This represents a 37-percent increase over the corresponding period of MY 2002/2003, when Michoacan producers exported 30,000 MT. The Michoacan Avocado Producers' Association also indicated that, in the past three export seasons, avocado exports to the United States increased approximately 500 percent. (Source: Reforma; 04/07/2004)

REPORTS RECENTLY SUBMITTED BY FAS/MEXICO CITY

Number	Title	Date
MX4044	Weekly Highlights & Hot Bites, Issue #13	3/31/04

MX4045	Sugar Annual Report	4/6/04
MX4046	Oilseeds & Products Annual Report	4/7/04

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