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Report Highlights:

- *U.S. EXPORTS OF AGRICULTURAL, FISH AND FORESTRY PRODUCTS TO MEXICO GREW 9 PERCENT TO OVER US\$8 BILLION IN 2003
- *GOVERNMENT OFFICIALS WOULD SUPPORT A SWEETENER DEAL
- *THERE IS NO AGREEMENT YET: THE U.S. SWEETENER INDUSTRY
- *BIO-TERROR LAW RAISES TRUCKING COSTS UP TO 30 PERCENT
- *SOME U.S. MEAT EXPORTERS attempting to SIDESTEP MEXICAN REGULATIONS
- *PEAR IMPORTS GROW
- *INIQUITY IN SUBSIDIES ARE CAUSES OF THE IMPOVERISHMENT IN THE COUNTRYSIDE
- *EVALUATION OF NAFTA'S AGRICULTURAL CHAPTER DISAPPROVED
- *AGRICULTURAL DEPENDENCY INCREASED
- *NATIONAL AGREEMENT FOR AGRICULTURE SHOWS MIXED ADVANCES
- *THE JOINT PUBLIC ADVISORY COMMITTEE RECOMMENDS A MORATORIUM ON IMPORTS OF TRANSGENIC CORN TO MEXICO
- *AMCHAM PUTS 2004 INFLATION AT 4.7 PERCENT
- *MEXICAN TOURISM SECTOR ON THE REBOUND

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.

DISCLAIMER: Any press summary contained herein does NOT reflect USDA's, the U.S. Embassy's, or any other U.S. Government agency's point of view or official policy.

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U.S. EXPORTS OF AGRICULTURAL, FISH AND FORESTRY PRODUCTS TO MEXICO GREW 9 PERCENT TO OVER US\$8 BILLION IN 2003

U.S. exports of agricultural, fish and forestry products reached an all time high of US\$8.4 billion in 2003, growing 9 percent from 2002. There was growth across all product categories: bulk, 11 percent; intermediate, 3 percent; consumer ready, 12 percent; forestry 4 percent; and fish and seafood products, 16 percent. The fish and seafood was the fastest growing sector with sales of US\$77 million. In addition, record sales were registered for both intermediate and bulk products. Leading the growth in bulk and intermediate products with record sales were rice, wheat and wheat flour, soybeans and soybean meal. Consumer ready product sales recovered from the dip in 2002, increasing 12 percent, with record sales in meats, dairy and eggs, processed fruit and vegetables, fruit and vegetable juices, and wine and beer. Snack food sales grew 22 percent. (Source: ATO Mexico City, 4/15/04)

GOVERNMENT OFFICIALS WOULD SUPPORT A SWEETENER DEAL

The Secretary of Economy, Fernando Canales, indicated that the Mexican government would support a proposal from the private sector to open the market for sugar and fructose, but the country had to be self-sufficient first since some sugar had to be imported last year. He added that he would wait for the proposed agreement between Mexico and the United States and then make a decision. Furthermore, Hugo Perez from the area of trade negotiations of the same Secretariat pointed out that once an agreement is reached between the governments, producers and officials would request that the Mexican Congress eliminate the special tax on fructose use on beverages. (Source: *Reforma*, 4/1/04)

THERE IS NO AGREEMENT YET: THE U.S. SWEETENER INDUSTRY

The U.S. sweetener industry declared that there is no agreement yet that would allow the regulation of trade for fructose and sugar between Mexico and the United States, only a proposal that is being discussed between members of the private sector of both countries to be submitted for consideration by both governments. They also discarded the idea that such a proposal would include an opening of trade of sugar and fructose between both countries, or that the process jumps head of what was contemplated in NAFTA. The U.S. industry indicated that what is being discussed is a negotiated commercial solution that ties the fructose and sugar volumes that can be commercialized in both countries, respectively. (Source: *Universal*, 4/1/04)

BIO-TERROR LAW RAISES TRUCKING COSTS UP TO 30 PERCENT

According to Leon Flores, President of the Mexican Trucking Industry Association (CANACAR), the application of the Bio-Terrorism Act by the United States has increased operational costs for Mexican truck operators between 20-30 percent. He added that a truck moving product that falls within the provisions of the Bio-Terror law implemented by FDA, may be held up between 4-5 hours due to the various inspections of drivers' licenses, permits, product documentation, physical condition of the truck, among others. This implies increased costs in fuel and overtime pay to the drivers since the truck must wait between inspections at one point to another before it can deliver the merchandise. Flores claimed that 175,000 crossings occur each month along the U.S./Mexican border. (Source: Various Mexican Newspapers, 4/06/04)

SOME U.S. MEAT EXPORTERS ATTEMPTING TO SIDESTEP MEXICAN REGULATIONS

According to a local newspaper, meat exporters from the United States tried to export products to Mexico that did not comply with the import requirements that the Mexican authorities have established on health matters. Raymundo Trejo, Chief of SAGARPA's Plant and Animal Health Inspection Office in Nuevo Laredo, explained that while reviewing import documents, they discovered that some beef meat shipments did not comply with the requirement that the meat must come from animals slaughtered on or after March 5, 2004, as per Mexican regulations. He further stated that the majority of slaughter dates on shipments destined for Mexico were from March 3-5, 2004, March 4-5, 2004, and March 4-7, 2004, thus entry of these products to Mexico were refused. Mexico's regulations (SAGARPA) establish that only boneless meat coming from animals that were slaughtered on March 5, 2004, or after, and from animals whose age is less than 30 months at time of slaughter. (Source: *Reforma*, 4/12/04)

PEAR IMPORTS GROW

The lack of investment, coupled with the strong demand of the Mexican consumer have resulted in pear imports totaling 73 percent of the market, which are displacing domestic pear producers. Pear imports from the United States, Chile and Argentina have displaced domestic production, as the lack of support and investment in technology makes Mexican pears uncompetitive. (Source: *Reforma*, 4/13/04)

INEQUITY IN SUBSIDIES ARE CAUSES OF THE IMPOVERISHMENT IN THE COUNTRYSIDE

The study on the evaluation of the NAFTA Agricultural Chapter and its effect on Mexico's rural sector, issued by the Secretary of Economy, states that the application of Mexican agricultural subsidies during the trade agreement has been inequitable. "It compensated some growers with the opening, but it has not benefited the great majority." The evaluation partly explains the impoverishment and the lack of opportunities in the countryside. (Source: *El Financiero*, 4/12/04)

EVALUATION OF NAFTA'S AGRICULTURAL CHAPTER DISAPPROVED

The Permanent Agrarian Council (CAP) disapproved the recently issued evaluation of NAFTA's Agricultural Chapter and corroborated the long-established opinion that negotiations done prior to the signing of the commercial agreement were unfortunate for Mexico. Regarding the study presented by Mexico's College before the Secretariat of Economy, Federico Ovalle, CAP representative, declared that some conclusions are consistent indeed, "but not as we expected, the divergences are significant." Moreover, Ovalle said, "CAP organizations

consider that the demand for a consistent and impartial analysis, as established in the National Agreement on Agriculture, was not accomplished." Exports of fruits and horticultural products increased benefiting a reduced number of producers while the majority, estimated at 3 million, waits for such benefits since prices of basic grains are subject to fluctuation in the international market. (Source: *La Jornada*, 4/13/04)

AGRICULTURAL DEPENDENCY INCREASED

The Colegio de Mexico's study, "Evaluation of NAFTA's Agricultural Chapter" prepared by Jose Romero and Alicia Puyana, establishes that from the NAFTA implementation in 1994, Mexico's food dependency on U.S. products increased specifically in basic grains and agri-food products. The analysis, that evaluated the market share in the domestic consumption of 15 group products imported from the United States, shows a significant increase in the basic grains group. From 1990 to 1994, previous to the NAFTA period, 47.1 percent of the rice domestic consumption was covered by imports, while for the 1994-2003 period the share increased to 61.4 percent. Also, the dependency on corn imports increased from 10 to 19.7 percent during the same periods. Moreover, the report explains that the increased domestic consumption of agri-food products has been covered through imports, which registered larger increments than the volumes produced domestically. Dependency on imports of livestock products increased as well. Imports of beef increased to 15.5 percent in 1994-2003 compared to 10.3 percent in 1990-1994, while pork meat increased from 21.7 percent to 23.9 during the same periods. (Source: *Reforma*, 4/15/04)

NATIONAL AGREEMENT FOR AGRICULTURE SHOWS MIXED ADVANCES

According to Jaime Rodriguez Lopez, Director of Federalism in the Agriculture Secretariat, the National Agreement for Agriculture shows "mixed" advances." There are certain provisions, for example the tax exemption for agricultural diesel that has wide implementation and is benefiting more than 350,000 growers. (Source: *El Financiero*, 4/16/04)

THE JOINT PUBLIC ADVISORY COMMITTEE RECOMMENDS A MORATORIUM ON IMPORTS OF TRANSGENIC CORN TO MEXICO

The Joint Public Advisory Committee (JPAC) recommended that a moratorium on imports of transgenic corn to Mexico should be put in place until the risks to human health, cultural integrity of maize producers in Mexico and the environment generally are better understood and an appropriate long-term course of action can be decided. The JPAC is part of the North America Commission for Environmental Cooperation's (CEC). On March 11, 2004, CEC had a symposium on maize and biodiversity. Following this symposium, the JPAC provided its initial recommendations to the CEC Council, the three North American environment ministers, on the issue of transgenic maize in Mexico. In a letter sent by Donna Tingley, JPAC's President to the CEC Council, pointed out that there is an obvious imbalance in the composition of the Maize Advisory Group where indigenous people are a minor component of the committee. Moreover, several thoughts and observations are expressed in the JPAC letter of advice to the CEC Council: The first is that the emphasis on 'scientific method' and 'science based' conclusions can work to exclude indigenous peoples. The scientific method is based on a western worldview that is predominantly limited to the physical world that sees its objects of study as inanimate things. Since most of the western world is based on the scientific method, its institutions of government, industry, business and academia are, for most part, limited to this worldview. Although scientists often claim that their study is objective, they express their values through their work. Unfortunately, when western scientific methods interact with indigenous worldviews, its own institutional biases and ethnocentric values become apparent. The indigenous worldview, as we were

told, includes the spiritual, the emotional, the intellectual and, of course, the physical. The arguments expressed by participants at the symposium clearly articulated how traditional food production and consumption are expressions of cultures that have been sustained by a respect for nature rather than a desire to control it. It was also quite apparent at the symposium that the authors of the various chapters were unable to respond to the many indigenous presenters who attempted to discuss and articulate their relationship with maize as sacred, the center of life, their brother and part of their dignity and identity. We must also not underestimate the intellectual capability of the indigenous people in the region. Their understanding of maize biodiversity is based on 6,000 years of practice, observation and spiritual insight. Their opinions on the effects of transgenic maize should be carefully considered and evaluated. (Source: *La Jornada*, 4/14/04)

AMCHAM PUTS 2004 INFLATION AT 4.7 PERCENT

The Chief Economist at the American Chamber of Commerce (AmCham) in Mexico, predicted that inflation in 2004 will be 4.7 percent, significantly higher than the Central Bank's projection of 3.0 percent. The AmCham economist pointed out that Mexico's biggest challenge is to create jobs, which requires sustained and vigorous economic growth. The outlook for 2004 is generally good, particularly given high oil prices. The principal sources for investment this year will come from oil exports and from remittances from Mexicans working in the United States. Like last year, remittances will be a more important source of hard capital than foreign direct investment. (Source: *El Financiero*, 4/14/04)

MEXICAN TOURISM SECTOR ON THE REBOUND

Results from the first quarter of 2004 are very positive for Mexico's tourism sector. Airline travel is up to almost all destinations both domestically and internationally. Ten percent more passengers flew domestically as compared to the same period in 2003, and passenger traffic between the United States and Mexico was up 14 percent, and up 9 percent between Europe and Mexico. In addition, beach resorts reported a 9 to 10 percent increase in hotel occupancy for the same period. (*El Financiero*, 4/19/04)

REPORTS RECENTLY SUBMITTED BY FAS/MEXICO CITY

Number	Title	Date
MX4049	Weekly Highlights & Hot Bites, Issue #15	4/13/04
MX4050	Dried Fruit Annual Report	4/15/04

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