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## Mexico

### Agricultural Situation

### Weekly Highlights and Hot Bites, Issue #34

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**Report Highlights:**

- SECOND ANTI-MONOPOLY CASE IS FILED AGAINST LARGEST MEXICAN BREWERIES
- POULTRY INDUSTRY GETTING READY FOR WHEN SAFEGUARD ENDS
- ADMONISHMENT FOR SECRETARY USABIAGA
- GMOs' TRADE AUTHORIZED SINCE 1995
- MORE DEPENDENCY EXPECTED ON FOREIGN BASIC GRAINS
- FINANCIAL INSTITUTIONS COVERING THE COUNTRYSIDE HAVE FAILED REPEATEDLY

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

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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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### **SECOND ANTI-MONOPOLY CASE IS FILED AGAINST LARGEST MEXICAN BREWERIES**

Independent breweries in Mexico have filed their second case in Mexican courts against the two largest Mexican breweries for anti-competitive and monopolistic practices. The Mexican market for beer is one of the largest and most lucrative in the world, with sales of \$5 billion a year. The two major breweries, Grupo Modelo (with several brands, including Corona) and Cerveceria Cuauhtemoc Moctezuma (with several brands, including Sol) have been accused of anti-competitive practices such as paying for illegal exclusivity agreements in a variety of establishments including restaurant chains, and colluding with officials to limit the ability of smaller breweries and foreign firms to sell in Mexico by manipulating regulations against these producers. The first case was decided in favor of the defendant companies in February 2004 based on a lack of substantive proof. A US beer company testified on behalf of their company and the small breweries in the first case. (Source: ATO Mexico City and El Financiero 8/25/04)

### **POULTRY INDUSTRY GETTING READY FOR WHEN SAFEGUARD ENDS**

Following the signing of a safeguard with the U.S., the poultry industry in Mexico invested \$1,300 million pesos (US\$ 113,043,478). The industry expects to invest similar amounts in each one of the following four years that the safeguard remains in place. Since the safeguard can only be applied once, the poultry industry began an Adjustment Plan, the measures of which include increasing installed capacity in poultry farms and slaughterhouses, the mechanization of processes, improvement in biosecurity, more sanitary controls, and training of manual labor. (Source: Economista 8/25/04)

### **ADMONISHMENT FOR SECRETARY USABIAGA**

Seven commissions related to the agricultural sector of Mexico's Lower Chamber, admonished SAGARPA's Secretary Javier Usabiaga for behaving disrespectfully upon the legislature's request to discuss the 2005 budget proposal with the commissions. SAGARPA's Under Secretaries and top ranked official were expected to be present but only the Under Secretary for Rural Development, Jose Antonio Ruiz, was present at the meeting. Legislators informed Ruiz that USD\$ 175 millions of the 2003 budget have still not been obligated. Regarding the 2004 budget, the legislators noted that some of the budget had not been obligated and that only 17 percent had been allocated to SAGARPA, of which some producers had received less than 5 percent. The legislators remarked that the 2004 agricultural sector budget is, in real terms, 3.7 percent lower than the 2003 budget. Miguel Luna, President of the Rural Development Commission of the Lower Chamber, along with several leaders from agricultural associations declared that: "The report that President Fox

will present to the nation on September 1 will not be a realistic one since the Fox administration would make the 5-percent agricultural GDP increase as something exceptional, and not address the increased poverty and migration in rural areas. Luna concluded by remarking that President Fox continues to ignore the Mexican countryside. (Source: La Jornada; 08/25/2004)

#### **GMOs' TRADE AUTHORIZED SINCE 1995**

Greenpeace announced that official documents from the Secretariat of Health (SSA) reveal that, since 1995, SSA has issued authorizations to several foreign companies for the use of at least 22 different transgenic varieties of canola, soybean, cotton, corn, potatoes and tomatoes for human consumption without any scientific evaluation to prove their safety. According to Greenpeace, Monsanto, Híbridos Pioneer de México y Dow AgroSciences, developed these transgenic crops and marketed them outside of the regulatory framework and without any safety evaluations being done by SSA. "Genetically modified organisms (GMOs) used as raw materials for the production of edible oils, flours and syrups in the confectionary of several processed foods, bread, tortillas, baby food, cereals sodas and beer, do not comply with the appropriate labeling requirements," Greenpeace speaker Areli Carreon concluded. (Source: La Jornada, Excelsior; 08/27/2004)

#### **MORE DEPENDENCY EXPECTED ON FOREIGN BASIC GRAINS**

The Mexican agro-industrial sector's current forecast for the next two decades, regarding the dependence on foreign agricultural inputs, looks bleak. For 2020, Mexico's food dependency forecast is expected to increase to 46.5 percent on grains and oilseeds at the same time that there is a critical shortage of water that could affect the main commercial production areas of these crops. "This is the reason we are trying to convince people to shift to the production of other crops and/or use other technologies", said National Agricultural Council (CNA) President Jaime Yesaki. The most important crops produced in Mexico are basic grains, forage and oilseeds, but these crops are considered to be low-value products in the marketplace. For Yesaki, the keys to success in international markets are in Mexico's fruits and vegetables and in the 11 free trade agreements Mexico has signed. "We should be focusing on South American markets instead of just the United States," he added. His proposal to migrate from low economic density land, producing mainly basic grains, to the production of other basic grains and oilseeds accordingly to the land profile, along with the production of fruits and vegetables is his strategy to improve profitability for Mexican farmers. (Source: El Financiero; 08/30/2004)

#### **RURAL FINANCIAL INSTITUTIONS HAVE FAILED IN THE PAST**

"Mexico is one of the countries that has spent a high level of *per capita* resources creating financial institutions to support its countryside and, paradoxically, has obtained some of the world's worst results", said SAGARPA's Under Secretary for Rural Development Antonio Ruiz Garcia. "The latest Banrural financial breakdown cost the Government of Mexico USD\$ 4.2 billion, plus additional losses during the 1980's and 90's, the list is huge", Ruiz admitted. In his opinion, these efforts to solve the rural financing problem failed due to a concentrated strategy on credits, which eventually became outright subsidies when farmers were unable to repay their loans. (Source: El Financiero; 08/30/2004)

#### **REPORTS RECENTLY SUBMITTED BY FAS/MEXICO CITY**

<b>NUMBER</b>	<b>TITLE</b>	<b>DATE</b>
MX4106	BSE Update (Ninth Edition)	8/24/04
MX4107	Weekly Highlights & Hot Bites, Issue #33	8/25/04

MX4108	Fresh Deciduous Fruit Annual Report	8/27/04
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