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Mexico

Planting Seeds

Annual

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Report Highlights:

Total Mexican planting seed imports were valued at over \$222 million in 2001, up considerably from \$151 million the previous year. The U.S. captured 86.6 percent of Mexico's seed imports, exporting \$192 million worth of seeds to Mexico in 2001.

Includes PSD changes: No
Includes Trade Matrix: Yes
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SECTION I. SITUATION AND OUTLOOK

Planting Seed Situation and Outlook: Worldwide, Mexican planting seed imports totaled US\$222 million in 2001, compared to US\$151 million in CY2000. U.S. planting seed exporters captured 86.6 percent of Mexico's seed imports, exporting US\$192 million worth of planting seeds to Mexico. The Mexican seed market grew over the last decade because of an opening up of the economy, changes in phytosanitary regulations, a growing demand for food caused by the growing affluence of the upper middle income level of the population, the general population growth, and a desire by farmers for improved seed quality. Mexico's planting seed exports have decreased due to increased demand from the domestic farming community. CY2001 totaled US\$9 million compared to CY2000 exports of US\$19 million.

Concerns about the use of biotechnology in seed production continue to receive wide coverage in the Mexican media. Press propaganda and opposing international groups have led to consumer campaigns against biotechnological enhanced foods and crops.

Biosafety also remains a top concern among Mexican legislators in light of the findings of the Oaxaca corn studies, which are largely rumored to confirm the presence of transgenic corn in native varieties. Pressure from NGOs, and the perceptions that the executive branch is not reacting quickly enough on this. Congressmen have complained about the relative silence of the executive branch on this issue and its lack of communication with Congress on the findings of its studies and its plans for handling the biodiversity question.

In its renewed interest, Congress proposes to move on legislation to regulate all biosafety activities with respect to genetically modified organisms (GMOs), and products derived from biotechnology, including food and pharmaceuticals for human and animal consumption. It proposes establishing a new Institute for Biosafety and consultative committees on biosafety and bioethics, which will have, as one of their principal functions, the administration and issuing of environmental certificates for any food or pharmaceutical products containing transgenic material. The procedure for issuing an environmental certificate is a complicated and lengthy one, which puts all the liability for any potential damage which may occur to animal, plant, human health and the environment on the applicant.

The proposed legislation also establishes an Institute of Biosecurity which would have administrative authority in all matters pertaining to biosecurity, including receiving and issuing the environmental certificates as well as monitoring applicants' obligations under the law. These regulations include regulating scientific research on live GMOs, and making policy recommendations to the Executive Branch in matters of live GMOs, gene therapy and diagnosis. It would be run by a Board of Directors (comprised of the Secretary of Environment and Natural Resources, who would preside, and include the Secretaries of Treasury, Agriculture, Health, Education, Foreign Relations, and the National Council on Science and Technology) and a Director General, to be designated by the Board of Directors. Consultative Committees on Biosecurity and Bioethics would also be established.

Those items subject to environmental certification are any GMOs that are destined for research, processing, transport, commercialization, consumption, or release. For an environmental certificate to

be granted, the applicant will have to prove that the GMO will not affect the environment, biodiversity, human, animal, or plant health, morals, public order or good customs of Mexico. Other criteria will also be taken into account, including soil, water, and air contamination, labeling, and preservation of endangered, threatened, rare, and specially protected animal and plant species. Applications regarding live GMOs of species for which Mexico is considered to be the center of origin will be rejected automatically. Lack of scientific information about possible adverse consequences can be considered reason for rejection of the application.

Any damage which may occur to human, animal, or plant health or to the environment will always be the joint responsibility of the producer or manufacturer and, if applicable, the importer and/or transport company of the GMO or its derivative, even if the parties are no longer directly involved in whatever damage may arise. Additionally, importers, or the party responsible for the transport of goods containing GMOs, must present guarantees of joint responsibility from the exporter or producer should damage arise. The statute of limitations for damages is 30 years. Penalties for incurring damage, falsification of facts, and/or non-compliance of any other applicable regulation is the following: fines, partial or complete closing down of offending party's business, prohibition of trade in that product, and/or seizure and destruction of product.

Mexican industry is increasing its efforts to engage Congress on this issue in order to educate representatives about the potential ramifications of such a law. FAS has also encouraged other Mexican food and feed associations, some of which heretofore had not been too active in supporting biotechnology.

The executive branch is considered to be pro-biotech and is proceeding very cautiously with the findings of the Oaxaca corn studies, which are largely rumored to confirm the presence of transgenic corn in native land races. At present it is unclear, but seems unlikely, that the executive branch is close to establishing some sort of action plan with regard to biodiversity. Unfortunately, the silence of the executive branch on this issue is exacerbating the pressure from NGOs and the Green Party (PVEM) on Congress to respond to this perceived threat to Mexico's environment. Media criticism and general public opinion about Congress's ineffectiveness is also spurring members of Congress to act on legislative initiatives.

If passed, legislative initiatives on biosafety concerns would put some teeth in the recently revised penal code, which sets strict penalties for those dealing with GMOs that can or could harm Mexico's environment. At present, the penal code has had no practical effect as violations have to be in contravention of existing laws, of which hardly any exist. The bill would also effectively deny entry to the more than six million tons of annual U.S. corn imports, as applications for environmental certificates would be automatically rejected. The entry of other transgenic crops and processed foods with GM components, would also be seriously impacted as the onerous environmental certificate process and liability provisions would likely deter traders from dealing with transgenic crops or foods derived from biotechnology.

Nevertheless, Mexico is expected to remain an attractive market for U.S. seed exports in the coming years. Maintaining U.S. export levels to Mexico will require staying ahead of competitors in terms of

developing and introducing new varieties to solve agronomic problems found in Mexico.

SECTION II. STATISTICAL TABLES

Mexico's Imports by Planting Seed Groups
 Calendar Year
 (U.S.Dollars and Metric Tons)

Commodity & Country of Origin	2000		2001	
	Value	Volume	Value	Volume
Grass Seeds				
U.S.A.	10,238,435	9,197	8,378,470	7,602
Others	4,140,734	3,942	6,410,788	6,727
Total	14,492,569	13,297	14,789,258	14,329
Leguminous Vegetable Seeds				
U.S.A.	4,789,985	8,139	2,590,793	4,347
Others	622,698	1,066	480,712	1,175
Total	5,412,683	9,264	3,071,505	5,522
Other Vegetable Seeds				
U.S.A.	54,154,450	8,748	73,337,208	11,783
Others	3,259,527	529	5,816,571	826
Total	57,584,977	9,362	79,153,779	12,609
Field Crop Seeds				
U.S.A.	54,843,426	250,213	96,483,329	279,818
Others	6,140,567	56,001	11,069,666	62,984
Total	61,460,993	310,551	107,552,995	342,802
Other Seeds				
U.S.A.	2,396,469	219	2,226,389	416
Others	234,099	89	4,606,137	794
Total	2,622,868	308	6,832,526	1,210
Other Forage Seeds				
U.S.A.	9,371,418	4,010	9,264,086	4,626
Others	815,574	1,118	1,245,290	622
Total	10,298,992	5,179	10,509,376	5,248

SOURCE: U.S. Bureau of the Census trade data and data from Bancomext.

Mexico's Exports by Planting Seed Groups
Calendar Year
(U.S. Dollars and Metric Tons)

Tariff No. Commodity & Country of Destination	2000		2001	
	Value	Volume	Value	Volume
Grass Seeds				
U.S.A.	205,493	657	156,536	352
Others	14,179	132	412,225	275
Total	219,672	789	568,761	627
Leguminous Vegetable Seeds				
U.S.A.	218,210	238	132,636	178
Others	39,714	52	216,445	365
Total	257,924	290	349,081	543
Other Vegetable Seeds				
U.S.A.	11,392,627	68,491	5,245,397	52,923
Others	3,796,628	18,355	94,744	36,362
Total	15,029,255	86,846	5,340,141	89,285
Field Crop Seeds				
U.S.A.	508,585	190,408	325,928	138,963
Others	200,891	72,545	282,914	81,396
Total	709,476	262,953	608,842	220,359
Other Seeds				
U.S.A.	2,128,246	219	1,103,936	147
Others	785,322	87	1,152,117	19
Total	2,913,568	306	2,256,053	166
Other Forage Seeds				
U.S.A.	31,001	14	31,195	13
Others	6,882	9	2,470	5
Total	37,883	23	33,665	18

SOURCE: U.S. Bureau of the Census trade data and data from Bancomext.

SECTION III. NARRATIVE ON SUPPLY AND DEMAND, POLICY & MARKETING

PRODUCTION

The Mexican seed industry is made up of individual farmers, large multinational companies, national private seed companies, the government seed company PRONASE, national public research and seed production organizations such as INIFAP, and international agricultural research centers such as CIMMYT (The International Maize and Wheat Improvement Center).

In the past, private companies were heavily regulated. Companies were limited to seed production and marketing, with only a few companies doing breeding. Today, however, private companies can now participate in any phases of the seed industry from seed production and conditioning to seed marketing and distribution.

TRADE

U.S. seed exporters have captured close to 86.6 percent of the Mexican market, maintaining its status as Mexico's primary source of imported seeds for sowing, a market valued at US\$222 million in 2001. The value of U.S. shipments exported to Mexico grew 41.5 percent from last year to over US\$192.0 million in 2001, the growth was basically in vegetable seeds and field crop seeds. Vegetable seeds accounted for 39.4 percent of Mexican seed imports from the U.S., field crop seeds accounted for 50.1 percent, grass seeds accounted for 4.3 percent and the remaining seed groups accounted for 5.9 percent of the total U.S. export value. In quantity terms, 2001 imports grew 11.2 percent from the previous year's total of 343,271 metric tons due mostly to the increased demand for vegetable and field crop seeds. According to reliable seed industry sources this increase in value and volume is fueled by the expected improvement of the Mexican economy, and general growth of the population.

POLICY

In broad terms, Mexico's seed policy requires that domestic seed sales or imports and seeds exported from Mexico conform to prescribed standards, and meet marking, labeling and packaging requirements. All seed sold in Mexico for most crops, whether locally produced or imported, must come from a registered variety. Only seed that has gone through Mexico's established grading system may be sold by variety name. Limiting access to the market for seed that does not conform to these provisions helps to preserve attractive price levels.

Mexico's agricultural sector continues to experience extraordinary adjustment problems as the government seeks to move policy away from import substitution and self-sufficiency to a market oriented, competitively structured industry. High interest rates for agricultural loans have

compounded the difficulty for producers, with overdue loans as a percentage of total loans in the agricultural sector among the highest in the economy. These adjustment problems have led to a slight decline in agricultural productivity.

The Interior Ministry (Secretaria de Gobernacion) announced a modification to the Federal Penal Code, effective February 7, 2002, which penalizes all parties who import transgenic crops and/or introduce them into the environment. Punishment includes imprisonment from anywhere from one to nine years and a fine from 300 to 3,000 times the minimum daily wage for anyone who introduces, commercializes, transports, stores, or releases to the environment any genetically modified organism. The relevant part of the decree, Article 420, states that this punishment will be imposed on anyone who, in violation of previously established applicable regulations, introduces, commercializes, transports, stores, or releases into the environment any genetically modified organism that negatively alters or could negatively alter the components, structure, or function of natural ecosystems.

The penal code modifications were proposed by the environmental enforcement ministry, "Procuraduria Federal de Proteccion al Ambiente" (PROFEPA), an agency within the Secretariat de Environment and Natural Resources (SEMARNAT) and were transmitted to Congress for approval. Congress approved the modifications on December 27, 2001, and it was published in the Diario Oficial on February 6, 2002. SEMARNAT has been concerned over the potential effect transgenic crops, and in particular, transgenic corn, will have on Mexico's biodiversity. Mexico is the center of origin for corn and there have been reports recently that transgenic corn from the United States has crossed over into native Mexican varieties.

MARKETING

Biotechnology will continue to drive the Mexican seed market in the future. The evolving regulatory environment for biotech seed and their crops will affect variety approval and marketing prospects, and U.S. exporters should keep abreast of Mexican regulatory developments. As consumer choice expands, consumer education about variety characteristics will also play an important role in marketing seed.

U.S. exports of seeds to Mexico continue to be helped by the seed and variety laws. The seed law has lowered restrictions on seed trade while the variety law has given plant breeders more protection in Mexico.

Corn hybrid seed, however, could be constrained for a number of reasons. The lack of water in many areas of Mexico could hamper hybrid corn usage. Likewise, many small farmers do not have the financial resources to switch to hybrids because of the higher price for seeds and the higher cost for inputs.

U.S. seed exporters, new to the Mexican market, are encouraged to contact the following trade organizations for further information.

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ASOCIACION MEXICANA DE SEMILLEROS, A.C.
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SERVICIO NACIONAL DE INSPECCION Y CERTIFICACIÓN DE SEMILLAS (SNICS)
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