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Report Highlights:

Farm Subsidies Program Of Rich Countries Is "Evil"; Little Headway Made In Mexico-U.S. Binational Meeting, Bush Asks For Patience On Migration Accord; Fox Farm Package Lacks Novelty, Says Opposition; Fox Raises Joint Work On Agriculture; U.S. Clears Some Mexican Cantaloupe Farmers To Resume Shipments; GOM Not To Propose Renegotiation Of NAFTA Ag Chapter; Mexico States That U.S. WTO Proposal Is Too Ambitious; SAGARPA Claims U.S. Beef To Be Inferior; Congress Sees Increased Migration To U.S. In 2003; Opposition Party To Support Delayed Implementation Of Ag Chapter Of NAFTA; Opposition Party Introduces Bill To Renegotiate NAFTA Ag Chapter; Congress Decries Food Dependency On U.S.; Farmer Groups, Congress To Request Delay In 2003 Ag Tariff Repeal; Farmers' Groups Concedes That Mistakes Were Made.

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.

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.

FARM SUBSIDIES PROGRAM OF RICH COUNTRIES IS "EVIL"

Under the title "The Hypocrisy of Farm Subsidies," the New York Times (NYT) published an editorial which criticized the farm subsidies that the U.S. and some European countries apply. The editorial also stated that increasingly, Mexican corn farmers find themselves saddled with mountains of unsold produce because farmers in Kansas and Nebraska sell their own corn in Mexico at prices well below those of the Mexicans. We subsidize our farmers so heavily that they can undersell poor competitors abroad, the article said. The NYT's editorial also stated that healthy, export-oriented farm sector, based on the cheap land and labor that many poor countries have in abundance, ought to be the first step on the ladder of economic development. Any serious effort to combat extreme poverty, promote third world development and share the benefits of globalization more fairly must begin with a radical assault on agricultural subsidies. The editorial also pointed out that developed world pays out more than \$300 billion a year in farm subsidies, seven times what it gives in development aid. These production incentives create oversupplies of crops like sugar and cotton, which are then dumped on world markets, squeezing tropical producers. Subsidies also distort world market prices for vegetables, cut flowers and cereal grains. The world's farming system is rigged in favor of the rich, the article said. Continuing on the present perverse course will feed social instability and environmental devastation throughout the developing world. It will mean increased illegal migration to fill agricultural and other jobs in richer countries, instead of increased jobs and incomes in the third world. (Source: El Financiero; 12/02/2002)

LITTLE HEADWAY MADE IN MEXICO-U.S. BINATIONAL MEETING, BUSH ASKS FOR PATIENCE ON MIGRATION ACCORD

High-level Cabinet talks between Mexico and the United States on Tuesday, November 26, 2002, ended with few concrete advances on an agenda of simmering problems between the two nations, besides renewed pledges to keep dialogue open. Cabinet officials met in Mexico City to discuss a range of issues - from migration and border security, to agricultural trade and a dispute over water rights on shared rivers. In a press conference following discussions, U.S. Secretary of State Colin Powell said he and Foreign Relations Secretary Jorge Castañeda had not discussed any concrete plans over migration, and said there was no timetable established to resolve the issue. Powell said the Bush administration still was committed to reaching an agreement, but increased U.S. security concerns following last year's terrorist attacks meant progress would be slow. With little headway on major issues, Powell and Castañeda had little to trumpet besides a 25 million-dollar program to increase border security and ease the flow of goods between the nations. Conspicuously, neither Fox nor Castañeda made reference to a water debt owed by Mexico to the United States from a 1944 treaty governing water sharing Texas' Rio Grande Valley. Powell, however, did stress the importance that Mexico comply with treaty provisions to provide nearly half a trillion gallons to drought-stricken Texas farmers in the valley. Agriculture trade remains another

sticky issue between the nations. Fox reiterated worries that near complete liberalization of the agricultural market scheduled for Jan. 1 next year will hit poor Mexican farmers hard and could increase migration. Castañeda said Mexico may need to invoke safeguard tariffs provided for under the North American Free Trade Agreement in order to protect certain agricultural sectors. (Source: The News; 11/27/2002)

FOX FARM PACKAGE LACKS NOVELTY, SAYS OPPOSITION

Opposition politicians on Tuesday claimed President Vicente Fox's concern over NAFTA's possible harm to the agricultural sector is little more than rhetoric, and is not backed by fresh initiatives. "We are worried about the consequences of the imminent liberalization of the agriculture market," Fox said at the start of a second day of talks between Mexican and U.S. officials in Mexico City. The North American Free Trade Agreement (NAFTA) on Jan. 1, 2003, will abolish tariffs on 21 farm products ranging from wheat and potatoes to pork and chicken. The Fox administration is worried Mexico's outdated farms are ill-equipped to compete with an expected increase in imports from Canada and the United States. Fox said Mexico and the United States must work together so as "not to affect income levels in the Mexican countryside and maintain the economic viability of rural communities." Opposition parties on Tuesday agreed successive administrations hadn't adequately prepared the sector for the trade opening on Jan. 1, 2003. They were responding to remarks made on Monday by U.S. Department of Agriculture Undersecretary J.B. Penn, who said more progress in restructuring the sector should have been made by now. Penn said key deficiencies in the nation's farming sector were a lack of credit, few market opportunities for Mexican farm produce and inadequate product standards. "I couldn't agree more," said Sen. Demetrio Sodi. "The (NAFTA) agreement isn't to blame. We simply haven't taken care of the sector." Sodi, a member of the center-left Party of the Democratic Revolution, said the administration of President Jose Lopez Portillo (1976-82) had made the last serious attempt at enacting a far-reaching farm program. "Since 1982, there's been nothing," he said. The administration last week announced a 102 billion-peso farm support program. But some said the plan was nothing new. "The spending is already accounted for in the (2003) budget," said Dip. Miguel Castro, a member of the Institutional Revolutionary Party who sits on the Chamber of Deputies' agriculture committee. (Source: The News, 11/27/02).

FOX RAISES JOINT WORK ON AGRICULTURE

On Tuesday, November 25, 2002, President Vicente Fox requested that the United States and Mexico work together before the next liberation of NAFTA in 2003 in order to avoid adversely impacting the Mexican agriculture sector. During the inauguration of the U.S./Mexico 19th Binational Commission meeting, Fox stated that the probable consequences of this imminent liberalization of the agricultural market worries the Mexican Government. "Epecially due to the U.S. subsidies to production agriculture," Fox said. In the official residence of "Los Pinos" and before a American delegation headed by the Secretary of State, Colin Powell, Fox said that the opening of the market can bring adverse consequences for an important sector of the Mexican economy, if some measures are not adopted to attenuate these effects. "We must maintain the economic viability of our agriculture sector to be able to reduce the migratory pressure towards the north", President Fox said. He also asked the U.S. delegation to retake "with renewed energy" the negotiation of a migration agreement. The President of the United States, George Bush, participated in the encounter through a videoconference. He insisted the United States does not have any other most important relation in the world than it has with Mexico. Bush said that last year he had initiated a dialogue with President Vicente Fox "to put aside a history of distrust. We spoke on subjects that worries both of us in a frank and sincere way, like friends", he said. Bush also said that Mexico is an ally in the war against terrorism. President Fox has increased the security in the

border and has worked with the UN to approve resolutions against the terrorism (Source: Reforma, 11/26/2002).

U.S. CLEARS SOME MEXICAN CANTALOUPE FARMERS TO RESUME SHIPMENTS

Two Mexican cantaloupe producers can resume shipments to the U.S. after the biggest export market was closed to the country's melon farmers for about a month because of health concerns, U.S. Food and Drug Administration officials said. The FDA partially lifted an Oct. 28 order that had blocked all Mexican cantaloupe imports saying that SPR de RI Santa Ines and Guadeloupe Guaymas SPR had passed health inspections. The ban was imposed because of concern that Mexican cantaloupes were responsible for food poisoning that affected about three-dozen people in the U.S. and Canada. The partial opening is a sign that the market may soon be reopened to other melon producers too. Mexico's more than 80 cantaloupe producers exported 104,000 metric tons of the melons to the U.S. last year. "We sent the first shipments by truck today, and we hope clients in Arizona will be getting them this afternoon," said Gilberto Salazar, manager of SPR de RI Santa Ines, which employs about 600 people in the state of Sonora, along the Arizona border. Sonora's cantaloupe harvest began in the first week of November and is expected to yield 1.2 million boxes of the fruit. (Source: The News; 11/30/2002)

GOM NOT TO PROPOSE RENEGOTIATION OF NAFTA AG CHAPTER

Foreign Relations Secretary (SRE) Jorge Castaneda said the GOM would not propose to renegotiate NAFTA chapters on agriculture, but he said that the federal government had indicated to the USG that Mexico's agricultural situation would cause more migration to the United States. (Source: Reforma; 11/25/02).

MEXICO STATES THAT U.S. WTO PROPOSAL IS TOO AMBITIOUS

Eduardo Perez Motta, Mexico's Ambassador to the WTO, said the Bush administration's proposal to gradually eliminate trade tariffs by 2015, announced by USTR Robert Zoellick and Commerce Secretary Donald Evans, was very ambitious, and that it would be difficult to reach consensus on this issue. (Source: Reforma, Milenio; 11/27/02).

SAGARPA CLAIMS U.S. BEEF TO BE INFERIOR

Deputy Agriculture Secretary Antonio Ruiz claimed U.S. beef imports cost less than Mexican beef products, because the quality of U.S. beef was inferior. (Source: Financiero; 11/25/02).

CONGRESS SEES INCREASED MIGRATION TO U.S. IN 2003

A study conducted by the Chamber of Deputies predicted that up to five million Mexicans could migrate to the United States as a consequence of the repeal of agricultural tariffs under NAFTA. (Source: Financiero; 12/2/02).

OPPOSITION PARTY TO SUPPORT DELAYED IMPLEMENTATION OF AG CHAPTER OF NAFTA

PRD chairperson Rosario Robles said that the party would support peasants demanding delayed implementation of the NAFTA agricultural chapter. She said that the party would support demonstrations in Congress and along border crossing points. There will be a demonstration on Monday in front of the U.S. Embassy in Mexico City. (Source: Reforma, La Jornada; 11/30/02).

OPPOSITION PARTY INTRODUCES BILL TO RENEGOTIATE NAFTA AG CHAPTER

PRD Deputies presented a bill that would allow President Fox to temporarily suspend the application of NAFTA's Chapter 17, on agriculture, in order to begin formal renegotiations to protect the Mexican agriculture sector from U.S. and Canadian products. (Source: Reforma, Milenio; 11/27/02).

OPPOSITION PARTY PRESENTS BILL TO HELP RURAL SECTOR

PRI senators are preparing to present a bill to increase financial support for the rural sector, as a way to protect Mexican farmers from the effects of the repeal of agricultural tariffs under NAFTA. During the Sixth National Assembly of Mexican Corn Producers, an estimated 3,000 farmers demanded that NAFTA be suspended until the agricultural playing field was leveled between Mexico and the United States. (Source: Universal; 11/25/02).

CONGRESS DECRIES FOOD DEPENDENCY ON U.S.

Sergio Reyes Osorio, an advisor to the Chamber of Deputies, warned that the repeal of agricultural tariffs under NAFTA would have a "psychological effect" on Mexico, because consumers will lose all pretext not to import products from the United States. Reyes claimed that Mexico's "food dependency" on the United States would worsen. (Source: Financiero; 11/25/02).

FARMER GROUPS, CONGRESS TO REQUEST DELAY IN 2003 AG TARIFF REPEAL

The National Agricultural Council and the National Confederation of Farm Workers claimed that Mexican farmers would not be able to compete with U.S. and Canadian farmers, when agricultural tariffs are repealed under NAFTA in 2003. Jaime Rodriguez, president of the Agricultural Commission, said that Mexican farmers would ask President Fox to prevent the repeal of agricultural tariffs in January. (Source: La Jornada, Milenio; 11/25/02).

FARMERS' GROUPS CONCEDES THAT MISTAKES WERE MADE

The National Peasants Confederation -- the PRI's peasant organization -- headed by former Oaxaca Governor Heladio Ramirez admitted that the Salinas administration made several mistakes during the negotiations of NAFTA's agricultural chapter. (Source: Reforma, 12/1/02).

REPORTS SUBMITTED RECENTLY BY FAS/MEXICO CITY

MX2155	Weekly Hot Bites, Issue #37	10/30/02
MX2156	Honey Annual Report 2002	11/7/02
MX2157	Mexico Grain & Feed Sorghum & Corn Update, 2002	11/5/02
MX2158	Test by Computer Installers	
MX2159	Monthly Crop Update, October 2002	11/21/02
MX2160	Livestock & Products-Mexico-Cancels NOM-042-ZOO-1995	11/25/02
MX2161	FAIRS Product Specific NOM-016 on Avian Influenza Extended	11/25/02
MX2162	Citrus Annual Report 2002	11/27/02

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