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## Mexico

### Agricultural Situation

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**Report Highlights:**

NAFTA TO OPEN FOODGATES, ENGULFING RURAL MEXICO; MEXICAN ECOLOGY INSTITUTE  
DISCOVERS PRESENCE OF GENETICALLY MODIFIED CORN; PRESIDENT REFUSES CALLS TO  
RENEGOTIATE NAFTA CHANGES; TO RESTRAIN THE AVALANCHE OF AGRICULTURE IMPORTS  
IS FEASIBLE; REQUEST TO PRESIDENT FOX TO RENEGOTIATE THE NAFTA AGRICULTURAL  
CHAPTER

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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.

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### **NAFTA TO OPEN FOODGATES, ENGULFING RURAL MEXICO**

The changes Mexican farmers have been forced to confront are being felt all over Mexico as the country struggles to keep its balance, one foot in poverty, the other seeking a toehold in prosperity through the North American Free Trade Agreement. Credit ran dry after a national economic crisis devastated banks in 1995. The Mexican government ended most agricultural subsidies, sending producer costs through the roof. Now, the last defense of Mexican producers is being dismantled. Under NAFTA, on January 1, 2003, tariffs on almost all agricultural imports from the United States will end. It was widely predicted before NAFTA took effect on January 1, 1994, that free trade would create a new world of economic winners and losers. Mexico has become the world's ninth largest economy and a powerhouse in the export of manufactured goods. Hundreds of thousands of jobs were created, most of the mini assembly plants called "maquiladoras." Food imports from the United States have doubled, from U.S.\$3.6 billion a year to U.S.\$7.4 billion. But, the food trade has also boomed in the opposite direction. Exports to the United States, mostly products made by large Mexican and transnational food processing corporations, have increased from \$2.7 billion to nearly \$5.3 billion. Among the most notable winners are companies like Grupo Bimbo, Mexico's largest food company, which has taken advantage of cheap grain imports. Other winners are Maseca, which has become the world's largest producer of cornmeal and tortillas, and Sigma, which imports cheap pork parts and poultry pastes from the United States to make sandwich meats. Fruit and vegetable farmers, who benefit from longer seasons of sunshine and cheaper labor than their American competitors, have also increased their exports to the United States under NAFTA. But, many observers say the losses outweigh the gains. Mexico's most difficult challenge has been the fate of some 25 million people who live in the countryside. Although agriculture represents less than 5 percent of the gross domestic product, about one in five working Mexicans are directly involved in it. Poultry and pork farmers, too, are expected to be hit hard when remaining tariffs are lifted on January 1, 2003. As much as NAFTA ignited an economic evolution, said analysts, it has also set off a kind of social landslide as the government struggles, in the span of a decade, to move millions of people from farming into other ways of life. The impact is likely to be felt on both sides of the border. Some 700,000 people are expected to lose jobs in farming and other food industries next year, warned Armando Paredes Arroyo, president of the National Agriculture Commission. Many may join the estimated 300,000 Mexicans a year who make the illegal journey to the United States. Most are peasant farmers. (Source: Reforma based on article of The New York Times; 12/ 20/2002).

## **MEXICAN ECOLOGY INSTITUTE DICOVERS PRESENCE OF GENETICALLY MODIFIED CORN**

The National Institute of Ecology (INE) released a study that corroborates the presence of transgenic organisms in native corn of Oaxaca (Sierra Juarez) and Puebla. The INE president, Exequiel Ezcurra, and researcher Sol Ortiz, presented the study during a press conference on Thursday, December 19, 2002. "Of a total of 2,128 plants analyzed in 21 towns, 7.6 percent gave positive results", Ortiz said. The frequency of genetic modification in these towns is variable, with a range that oscillates between 1 and 18 percent. The impact of these figures still is unknown, as it is the first case of this type in the world. These results seem to confirm the investigation published in the magazine "Nature" in November of 2001 by the Mexican molecular biologist, Ignacio Chapela, of the University of California at Berkley. Moreover, the study's findings knocks down the predominant criticism of a large part of the scientific community that material from genetically modified organisms could not be passed over to other plants. INE pointed out that it is uncertain how Bt genes could affect the national biodiversity and when genes were introduced. (Source: Reforma, La Jornada, Milenio; 12/20/2002).

## **PRESIDENT REFUSES CALLS TO RENEGOTIATE NAFTA CHANGES**

President Vicente Fox on Friday refused calls to renegotiate a provision of the North American Free Trade Agreement that requires Mexico to lift tariffs on U.S. farm products. The tariffs are scheduled to be eliminated in January 2003, and angry farmers have been protesting in Mexico City for weeks, arguing that they will be driven out of business and forced to migrate to the United States. On Thursday, December 19, 2002 lawmakers supported their argument, saying they would urge Fox to maintain the tariffs. But, Fox refused to halt the changes, saying in a speech "it is not viable or advantageous." He argued that the government had already taken several steps to help farmers compete with their U.S. counterparts, including lowering electricity rates and providing more access to credit. "It does not make sense to get ourselves involved in a fight that will cost us a lot in exchange for very little," he said. "The solution is in being competitive and productive, and we have promised you this and we are taking the pertinent measures." (Source: El Universal; Excelsior and The News; 12/22/2002)

## **TO RESTRAIN THE AVALANCHE OF AGRICULTURE IMPORTS IS FEASIBLE**

Mexico possess legal instruments, recognized by the international community, to face the competition that will represent the avalanche of agriculture products originating from the United States in 2003. What it is missing is the political determination of the Mexican Government to enforce these legal instruments. According to Herfried Wöss Wernitznig, lawyer of the company Wöss & Partners and one of the main specialists in the country in international trade, if Mexico decides to defend its domestic agricultural products, the process will be difficult and complex. The Executive branch will have to take legal actions to defend Mexican farmers, the defense would be by group of products or tariff codes, and the cost of the lawyer's fees for said defense would have to be bourn by the government, as these costs would be unaffordable to the farmers. (Source: El Financiero; 12/23/2002)

## REQUEST TO PRESIDENT FOX TO RENEGOTIATE THE NAFTA AGRICULTURAL CHAPTER

The head of the National Farmer Confederation (CNC), Eladio Ramirez Lopez, asked President Fox to consider and support the weakest and vulnerable sectors of the country and to renegotiate NAFTA's farming chapter. It is not possible to leave without any protection to 3.5 million farmers who are working under extremely unfair conditions, he said. Also, he stated that the unconformity in the countryside is because the "Campesinos" have been driven to extreme poverty. The Executive branch is yielding to the pressure of the most powerful country around the world (the U.S.). (Source: Excelsior; 12/23/2002)

### REPORTS SUBMITTED RECENTLY BY FAS/MEXICO CITY

Number	Title	Date
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MX2169	Tomato Annual Report	12/11/02
MX2170	Avocado Annual Report	12/13/02
MX2171	Abastur 2002 End of Show Report	12/17/02
MX2172	Weekly Highlights & Hot Bites, Issue #43	12/17/02
MX2173	Mexico's Agricultural Armor Package	12/19/02

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