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## Mexico

### Agricultural Situation

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**Report Highlights:**

"NAFTA SUPERCEDES THE CONSTITUTION"\*NATIONAL FARMLAND AGREEMENT AMENDED\*GOVERNMENT NOW READY TO "ANALYZE" NAFTA\*CNC & GOVERNMENT NEGOTIATE AGRICULTURAL POLICY\*MARKET ASSYMETRIES BETWEEN THE UNITED STATES AND MEXICO\*POLITICAL INTERESTS CLOUD FARM WORKER PROTESTS\*FOX ENCOURAGES FARMERS\*PRD CONGRESSIONAL LEADERSHIP FURTHER SEEKS RENEGOTIATION OF NAFTA\*THE SOLUTION TO END FRUIT AND HORTICULTURE CONTROVERSIES CORPORATION\*"NAFTA IS GOOD FOR BUSINESS"\*HIDALGO AND TLAXCALA GOVERNORS ASK TO RENEGOTIATE NAFTA\*"THEY DON'T CALL HIM THE GARLIC KING FOR NOTHING"\*CRITICISMS RAIN ON USABIAGA'S PARADE\*NAFTA WORSENS AGRICULTURE\*CONGRESS PUTS IN ITS TWO CENTS\*NAFTA: A THREAT TO NATIONAL SECURITY?"\*"NATIONAL CATTLE FARMING WILL LOOSE 64 PERCENT IN VALUE"\*FARM WORKER GROUPS DEMAND FOX "LIVE UP TO HIS PROMISES"\*CNC FINDS COMFORT IN NEW LEADER\*NATIONAL GOVERNORS' COUNCIL JOINS PROTESTING GROUPS\*"NAFTA CAN BE NEGOTIATED"\* STRONGLY CONTEMPLATING BIOTECH\*FOX BESTOWS ELECTRIC AND DIESEL SUBSIDIES

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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 SUPERCEDES THE CONSTITUTION"**

On January 6, 2003, at the National Farm Workers Council (CNC) conference in Boca del Rio, Veracruz, state governor, Miguel Alemán Velasco proclaimed that "NAFTA was above the Constitution," and backed President Fox's statements against NAFTA renegotiations. "For us this is a treaty, but for the United States, it is an agreement, this is not the same; it is the law because it was approved and ratified by an act of Congress and, unfortunately is above the Constitution," noted Mr. Alemán Velasco. CNC disagrees and continues to insist on renegotiating NAFTA. CNC President Heladio Ramírez López argued that the, "government should apply safeguards and other mechanisms to protect its farm sector." (Source: La Jornada, El Financiero, 1/7/03).

### **NATIONAL FARMLAND AGREEMENT AMENDED**

On January 6, 2003, the National Farmland Agreement was modified by its corresponding administrative agency after moderate farm worker groups, members of the Permanent Agricultural Council (CAP), and Farm Worker's Torch (linked to the PRI party) showed strong opposition to NAFTA renegotiations. The Agreement's main focus was the revision of Mexican agricultural policy and its corresponding commercial policy. Additionally, the Agreement seeks to establish a food production sovereignty program as a legal requirement and to protect repressed farm workers. (Source: La Jornada, 1/7/03).

### **"CNC'S ILL-TREATMENT OF USABIAGA MAY CAUSE SOCIAL TURMOIL"**

On January 6, 2003, PRI Senate leader Humberto Roque Villanueva warned against "instigating comments" made by Agriculture Secretary Javier Usabiaga at the National Farm Workers Council in Boca del Rio. Senator Roque claims, "egregious comments against the CNC members could be grave for the future of the farmland and provoke social turmoil." Consequently, Center for Human Rights representative Miguel Agustín Pro Juárez claims that as NAFTA's agricultural chapter enters into its final phase, Mexican agriculture will be fully "demolished" and this will bring forth "disastrous" consequences to the food production and to the rights of millions of farm workers. (Source: La Jornada, 1/7/03).

### **GOVERNMENT NOW READY TO "ANALYZE" NAFTA**

On January 7, 2003, Under Secretary of State Ramón Martín Huerta said that the federal government was now ready to "analyze" NAFTA's agriculture chapter with the protesting farm worker groups. Mr. Martín Huerta indicated that the federal government's disposition was to listen, discuss, analyze and try to understand social problems. However, no date has been agreed upon by any of the parties for this discussion. (Source: El Financiero, 1/8/03).

## **CNC & GOVERNMENT NEGOTIATE AGRICULTURAL POLICY**

On January 7, 2003, the CNC decided to negotiate with the federal government on the National Farmland Agreement. CNC seeks to make domestic agricultural policy adjustments that will legally allow Congress to request a revision of NAFTA's agricultural chapter. (Source: El Financiero, 1/8/03).

## **MARKET ASSYMETRIES BETWEEN THE UNITED STATES AND MEXICO**

PRI Senator Fidel Herrera Beltrán proposed that Mexico follow through with the opening of its agriculture market in accordance with the NAFTA agreement. However, "we should implement complementary plans with the United States and Canada to fix market asymmetries," affirmed the senator. Government must play a strong role in the market to prevent damage from imperfect information. Open markets rely on sufficient information in order to determine proper value. On the eve of the NAFTA market opening, Senator Beltrán has called for a national producers meeting to be held in the port of Veracruz to discuss strategic economic plans for the future of Mexico's agricultural sector vis-à-vis the United States and Canada. According to the Senator, too many bad experiences could disrupt trade. (Source: Milenio Diario, 1/8/03).

## **POLITICAL INTERESTS CLOUD FARM WORKER PROTESTS**

As congressional and senatorial elections grow closer and closer (beginning of July), President Fox is being challenged by an opposition-led Congress and political activists that use these groups as a means to further their cause and curry political gains. Agriculture Sector Support Services (ASERCA) Director, José Rodolfo Fariás Arizpe declared that farm worker organizations that merely seek to protest, are not only irresponsibly undermining domestic productivity, but "clouding" farmland development efforts. These "are the farmland's worst enemies," stated Mr. Fariás Arizpe. (Source: Reforma, 1/8/03).

## **FOX ENCOURAGES FARMERS**

On January 8, 2003, President Fox, in the state of Zacatecas, exhorted farm worker groups to avoid the use of violence. He moralized, "the road to violence is not the solution to our problems; legal recourse is, the way to open dialogue, planning and implementation of programs." In regard to the changes to NAFTA's agriculture chapter demanded by the protesting groups, President Fox left the door open for renegotiation. President Fox claimed he had met with all of the farm worker groups on January 6, 2003 to ensure his political commitment to Mexican farmers. He explained that in that meeting there was a commitment to reduce electric input costs by 9 percent of current costs in order to ensure that production costs decrease; thereby helping producers be more efficient and competitive. (Source: Notimex, 1/8/03).

## **PRD CONGRESSIONAL LEADERSHIP FURTHER SEEKS RENEGOTIATION OF NAFTA**

On January 9, 2003, the PRD party congressional leadership presented before Congress a position paper with compelling political suggestions in favor of renegotiating NAFTA's agricultural chapter. The position paper mainly argued that: (1) during the 9-year period of the NAFTA signing, major differences in production practices have adversely affected Mexico's agricultural growth and has dragged this sector into a huge commercial deficit; (2) the opening of the agricultural sector is not accompanied by an internal policy relating to any current economic activity, and thus makes NAFTA anachronistic; (3) market liberalization will only benefit large producers and will continue to bring small and medium-size farmers to

their knees; (4) Mexico's agricultural sector is already one of the most liberalized in the world, even compared to that of developed nations, like the United States, which protect its farmland by closing their agricultural markets to foreign competition. The position paper offers a compromise that strongly exhorts the Executive Branch to renegotiate NAFTA's Chapter 7 "Agricultural Sector Sanitary and Phytosanitary Measures" with hopes of a short-term of protection of domestic agriculture production. (Author: Congressman Ramón León Moralez) (Source: Gaceta Parlamentaria, 1/8/03).

### **THE SOLUTION TO END FRUIT AND HORTICULTURE CONTROVERSIES CORPORATION**

Agriculture Sector Support Services (ASERCA) announced it devised a 120-day plan to mitigate controversies in fruit and horticulture markets. This plan will not only involve an assessment of current problems but will also involve a consultation process with producers. The plan will be managed by the Solution to End Fruits and Horticulture Controversies Corporation, an independent subsidiary of the Mexican Department of Agriculture. Program sub-director, Ernesto Maldonado stated that the program could be used by commercial producers to ameliorate farm worker uprisings. The program will mainly serve as a forum for dialogue and problem solving, but will also conduct NAFTA conflict resolution and dispute settlement training sessions. This program will not be free; producers will have to pay an annual fee of 5,000 pesos (USD \$500) for this added service. (Source: El Mercado Agropecuario, 1/6/03).

### **"NAFTA IS GOOD FOR BUSINESS"**

On January 8, 2003, President Fox stated publicly his reservations and disdain against renegotiating NAFTA. He proclaimed, "NAFTA is good for business" and explained that any postponement or renegotiation "would only make us loose more than we gain." President Fox's reaffirmation of the Executive Branch's point of view runs counter to the opinion of the majority of the people who would like to see renegotiation of NAFTA's agricultural chapters. He added, "Our government is totally open to share and discuss viewpoints, plans and projects." "But, renegotiation will be a step in the opposite direction to that of progress." (Source: La Jornada, El Universal, El Financiero, Reforma, 1/9/03).

### **HIDALGO AND TLAXCALA GOVERNORS ASK TO RENEGOTIATE NAFTA**

On January 8, 2003, Hidalgo and Tlaxcala state governors, Manuel Angel Núñez Soto and Alfonso Sánchez Anaya respectively pleaded in favor of renegotiating NAFTA's agricultural chapter. They agreed that producers are at a competitive disadvantage with producers from the United States and Canada, "who both receive high levels of government subsidies, even though these are prohibited in the NAFTA clauses." (La Jornada, 1/9/03)

### **"THEY DON'T CALL HIM THE GARLIC KING FOR NOTHING"**

"How could we ever compete with Mr. Usabiaga's farms, if we could fit 10 of our farms into three of his," said Guanajuato farmer, Fidel Fernández Villegas, after reading that his fellow home-state resident, Secretary of Agriculture, Javier Usabiaga, had the nerve to exhort farmers to develop their land and stop complaining about what they lack. "Usabiaga owns seven major ranches and about 25 wells. He is one of the few farmers who are able to export and will benefit from NAFTA," said Mr. Fernández Villegas. "He doesn't have the same problems we do; his (Mr. Usabiaga's) wells run 8 to 10 inches deep, while ours run 4 to 6. One of his ranches encompasses 600 acres, while ours are only 115 acres. Moreover, he is one person, while we are 28 living off one piece of land," he said. (Source: Reforma, 1/9/03).

**CRITICISMS RAIN ON USABIAGA'S PARADE**

On January 8, 2003, leaders from nearly every political spectrum of agricultural organizations condemned Mr. Usabiaga's statements at the CNC annual conference, where he suggested that the solution to developing a profitable farmland was to work harder and simply produce more. The farm groups say that this type of response not only bears testimony to Mr. Usabiaga's callous policy making, but also indicates his lack of ability in understanding the real problems being brought forth. They say that his business-vision and self-interest compromise the rural sector's future. In addition, legislators from the PRI and PRD parties accuse him of being "insensitive, clumsy and incapable of solving Mexico's agricultural problems. Mr. Usabiaga is desperately hanging on to his position as Secretary of Agriculture and will need nothing short of a political hat trick to survive. (Source: Reforma, 1/9/03).

**NAFTA WORSENS AGRICULTURE**

With the advent of the most recent NAFTA tariff phase-out, the agricultural sector's lack of competitiveness and self-sufficiency has been in the limelight. Mexican agricultural subsidies are minute compared to those of the United States, Canada, or the European Union; this affects domestic product competitiveness because international prices are highly subsidized and are more competitive than Mexico could ever be. Mexico must target its strengths and strategize on strengthening these competitive sectors in order to export at higher levels. (Source: El Financiero, 1/9/03).

**CONGRESS PUTS IN ITS TWO CENTS**

On January 9, 2003, political party leaders met with farm groups "The Farmland Can't Stand Anymore" and El Barzón, both of whom have membership in the Permanent Agricultural Council (CAP). The Congressional Joint Political Conference reached the conclusion to participate in the discussion of the National Farmland Agreement and help solve Mexico's dire agricultural situation before it is too late. (Source: El Financiero, 1/10/03).

**NAFTA: A THREAT TO NATIONAL SECURITY?**

In reference to NAFTA Article 2202 and 801, the PRD political party made its demands to renegotiate NAFTA's agricultural chapter official. On January 9, 2003, Senate leader Jesús Ortega warned Congress that if NAFTA was left to run its course, it could drag the country into a situation of instability that could put national security at grave risk. (Source: Milenio Diario, 1/10/03).

**"NATIONAL CATTLE FARMING WILL LOSE 64 PERCENT IN VALUE"**

On January 10, 2003, domestic cattle farming "will lose 64 percent of its value once NAFTA enters into full effect." This speculation comes from the 25-percent net loss in the cost of meat suffered since 2000", informed representative Jaime Mantecón. The Commission of Cattle Farming member announced that the new policy would restrict beef and milk imports. The Congressional PRD Caucus presented to Congress its position paper to renegotiate NAFTA's agricultural chapter. (Source: La Jornada 1/13/03).

**FARM WORKER GROUPS DEMAND FOX "LIVE UP TO HIS PROMISES"**

On January 11, 2003, the Department of Agriculture (SAGARPA) ended the dialogue between President Fox and the farm worker groups "The Farm Land Can't Stand Anymore", El Barzón, and the Permanent Agricultural Council (CAP). The farm groups have made public their discontent with President Fox's poetic demagoguery and now ask him to "live up to his

promises." The farm groups added that, "they are the only groups protesting the revisions of NAFTA's agricultural chapter," and requested that President Fox exclude all other groups from the dialogue that detract from their main focus. (Source: Reforma, 1/13/03).

#### **CNC FINDS COMFORT IN NEW LEADER**

On January 10, 2003, the CNC announced that it will form part of the National Agricultural Convention and designate former Secretary of Government Affairs, Dióodoro Carrasco Altamirano, as its new representative to the CAP. CNC said Mr. Carrasco Altamirano will give adequate representation to the controversial revision of NAFTA's agricultural chapter. CNC President, Heladio Ramírez indicated that Mr. Altamirano's appointment "gives further credence to the fact that the CNC means business when it conducts dialogues with other farm worker organizations and the federal government." (Source: El Universal, 1/11/03).

#### **NATIONAL GOVERNORS COUNCIL JOINS PROTESTING GROUPS**

On January 10, 2003, The National Governors Council joined the CAP to voice its concerns on NAFTA's agricultural chapter. Governor José Murat stated that the lack of funding for farmers has generated great unease in the states of Oaxaca, Guerrero and Chiapas. (Source: Milenio 1/11/03).

#### **"NAFTA CAN BE NEGOTIATED"**

On January 10, 2003, PRD party leader, former Mexico City Mayor and presidential candidate, Cuautémoc Cárdenas Solorzano, insisted that President Fox act on the farm workers' demand. Mr. Cárdenas warned that "if President Fox shows noncompliance, it will bring about greater social and political tension." He added, "we don't know how great this tension will be; maybe if the President attends these matters, then farm workers could help the agricultural sector be once again competitive." "NAFTA can be renegotiated", he maintained. (Source: La Jornada, El Universal, 1/11/03).

#### **STRONGLY CONTEMPLATING BIOTECH**

On January 7, 2003, the federal government officially gave consideration to the commercialization of biotech crops. After 14 years of banning the use of such products, the Department of Agriculture (SAGARPA) stated via press release that "there are certain cases where biotech crops should be implemented as pilot programs and, subsequently thereafter, into a commercial phase." The regulation proposing commercialization of biotech crops will be open for discussion and consultation during a 60-day period after the final version has been presented to the Federal Registrar (Diario Oficial). SAGARPA stated that "the use of GMOs promises to greatly contribute to a sustainable and less harmful environment." Sagarpa added, "greater information is an advantage for GMO consumers and producers, and it is committed to ensuring biosecurity." (Source: Reforma, 1/13/03).

#### **FOX BESTOWS ELECTRIC AND DIESEL SUBSIDIES**

On January 10, 2003, President Fox announced that in order to stimulate agricultural competitiveness with the United States and Canada, "we've decided to reduce the prices on electricity and diesel fuel". Via radio address, President Fox stated that the electricity and diesel fuel subsidy would leave costs below that of the United States and Canada. President Fox, claimed that "Mexico has the best farmers in the world; what we must do is give them the tools to be competitive, and that is what we are doing." (Source: Excelsior, 1/12/03).

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

<b>Number</b>	<b>Title</b>	<b>Date</b>
MX3004	Mexico Initiates Antidumping Investigation	01/07/03
MX3005	Hot Bites Issue#1	01/08/03
MX3006	Poultry Semi-annual Report	01/10/03
MX3007	Poultry Banned due to END	01/13/03

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