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Report Highlights:

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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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THE NATIONAL AGREEMENT ON AGRICULTURE DID NOT SATISFY ALL SECTORS

On his Saturday live radio program, President Vincente Fox explained that because the National Agreement on Agriculture included thousands of demands, it is logical that some sectors expressed their dissatisfaction. However, President Fox indicated that because of this Agreement, rural areas would have more advantages and resources to work with. He added that, "We will work together, increasing resources and programs that will help farmers to have better opportunities to grow, and have a better quality of life." (Source: *Reforma*, 5/04/03)

ESTABLISHMENT OF THE FOLLOW UP COMMISSION

As agreed to in the National Agreement on Agriculture, the Secretaries of Agriculture, Economy and State, as well as the main farmers associations, will establish a follow up Commission on May 6, 2003. This Commission will be in effect until September 30, 2003, and will review the 2003 budget of the emergency programs for the rural areas, direct supports for commercialization, regional market development, agricultural conflicts that need immediate attention and other opportunities. (Source: *La Jornada*, 5/05/03)

WORKING AGENDA TO CARRY OUT THE NATIONAL FARM AGREEMENT

Farming organizations agreed to work on an agenda with the federal government to implement 44 actions and programs from the National Farm Agreement that would initiate the second phase of the Agreement. Among the more outstanding subjects is the implementation of an edict that will evaluate the impact of NAFTA, to carry out consultations with the Governments of the United States and Canada on corn and dry beans, and to conclude the rules of operation of the Farm Alliance within 30 days. (Source: *El Universal*, *El Financiero*, 4/30/03)

THE SECRETARIAT OF ECONOMY ANALYZES THE NAFTA ECONOMIC IMPACT IN THE MEXICAN COUNTRYSIDE

Angel Villalobos Rodriguez, Undersecretary of International Trade Negotiations at the Secretariat of Economy (SE), pointed out that Mexico's target date to open consultations with its NAFTA partners to modify the agricultural chapter (mainly in white corn and dry beans) would be sometime in 2004. He said that Mexico's final decision to review the text would not be made until it concludes the NAFTA economic impact analysis on the Mexican countryside. (Source: *El Financiero*, *Milenio* and *Reforma*, 5/07/03)

AGRICULTURAL SECTOR STILL PUSHING GOM FOR A NAFTA RENEGOTIATION

Although the U.S. Department of State considers it not being the most suitable time for negotiations, several Mexican agricultural sectors are still pushing the Government of Mexico (GOM) for a NAFTA renegotiation, since sensitive complaints were not included in the recently signed National Agreement for the countryside.

Within this political environment, Gustavo Castro Soto, a sociologist and Director of the Center of Economic and Political Investigations of Community Action, said that unofficial data show that the Mexican countryside has lost nearly 1.7 million employment opportunities since the NAFTA implementation in 1994 and has been the main cause of farm workers' massive migration to the United States. He went further when declaring that as a result of this phenomenon, in some areas the responsibility to perform the agricultural activity is supported by women in large amounts, traversing President Vicente Fox's declaration that the creation of employment opportunities under NAFTA shows a positive balance.

Also, Castro Soto stated that currently the accumulated Mexican trade balance, since 1994, deficit is negative at US\$9,500 million. Based on unofficial data regarding Mexico's consumption patterns, he indicated that 85 percent of rice consumed domestically is imported, as well as, 43 percent for sorghum, 25 percent for corn, 49 percent for wheat, 40 percent for red meats and almost the totality for soybeans. Moreover, the import quota for edible dry beans under NAFTA to 50,000 MT with an annual increase of 3 percent was surpassed several times, he said. From 1996 to 1998, the Secretariat of Economy (SE) authorized the import of 238,946 MT duty-free, affecting bean producers from Zacatecas, Chihuahua, Durango, Sinaloa and Nayarit. Therefore, the GOM income tax not charged to foreign companies was reduced in US\$95 million equivalent to the budget assigned to PROCAMPO in 70 years. He is critical of the 2003 PROCAMPO & SAGARPA budgets which are \$14,162 million pesos and US\$3,800 million, respectively, while the migrants' remittance is about US\$10,000 million annually, becoming the main financial source for the Mexican countryside instead of the GOM programs.

His forecast for 2006, the end of the Fox administration, indicates that Mexico will cover 70 percent of its food demand with imports from the United States and Canada. (Source: *Excelsior*, 4/4/03)

RENEGOTIATION OF AG SECTOR IN THE NAFTA STILL ON THE TABLE

Reportedly Rocio Ruiz Chavez, Undersecretary for Internal Trade at the Ministry of Economy, stated that a renegotiation of the agricultural sector of the NAFTA would depend on a study and evaluation that the Government of Mexico will head on the impact of the National Farm Agreement in Mexico, which should be finished in December 2003. (Source: *Reforma*, 4/30/03)

MEXICO WANTS FARM SUBSIDIES OUT

According to Luis Ernesto Derbez, Secretary of the Foreign Affairs Ministry, Mexico will ask for the elimination of farm subsidies during the annual ministerial meeting of the OECD. He said that Mexico also plans to ask for the elimination of farm subsidies at the next G-8 summit meeting. (Source: *Reforma*, 4/30/03)

SAFEGUARD ON BEEF IMPORTS IN THE MAKING

According to a local newspaper, the National Cattleman's Confederation (CNG) has requested that the GOM adopt a safeguard and stop excess imports of beef to Mexico from the United

States. Instead of seeking the renegotiation of the agriculture sector of the NAFTA, CNG wants to discuss a parallel agreement with their American and Canadian counterparts to fix conditions and import permits for importing beef meat and thus allow competition under more equitable terms. (Source: *La Jornada*, 5/6/03)

MEXICO AND CANADIAN RELATIONS REVIEWED

On May 5, 2003, the Foreign Affairs Secretary from Mexico, Luis Ernesto Derbez, met with the Canadian Prime Minister, Jean Chretien, to talk about bilateral issues and NAFTA. Mexico wants to reinforce links with Canada and see their relationship grow with the United States and the rest of Latin America in the future. Other issues to be discussed are temporary agricultural workers program, security cooperation, and Iraq and Middle East issues. (Source: *Reforma*, 5/06/03)

RICE IMPORTS MOVING RIGHT ALONG

As reported in a local Mexico City newspaper, USDA statistics indicate that sales of rice from the United States to Mexico for the first two months of 2003 totaled US\$23,345,000. This amount represents twice the amount sold in the same period in 2002 which totaled US\$11,773,000. (Source: *El Financiero*, 5/02/03)

TRANSFER OF FUNDS MADE EASIER FOR MIGRANT WORKERS

Banamex and Citibank launched a transfer of funds service from account to account, directed at the market of Mexican migrants who reside in the United States. With this service, funds can be transferred electronically, in real time, from an account in Citibank in the United States to an account in Banamex in Mexico with a cost of US\$5 dollars per transaction, regardless of the amount being transferred. (Source: *Milenio*, 4/30/03)

REPORTS SUBMITTED RECENTLY BY FAS/MEXICO CITY

Number	Title	Date
MX3059	Hot Bites Issue #24	4/30/03
MX3060	Mexico Announces Import Permits (cupos) for Oats	5/6/03
MX3061	Mexico Announces Import Permits (cupos) for Selected Coffee Products	5/7/03

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