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Approved by:
Suzanne E. Heinen
U.S. Embassy

Prepared by:
Benjamín Juárez, Dulce Flores, Gabriel Hernández, Marissa Chavez, and Carlos González

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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.

MEXICO CAPTURES 36 PERCENT OF LATIN AMERICA'S DFI

Attracting over US$ 13.5 billion in productive capital, Mexico captured 36 percent of Latin America's Direct Foreign Investment (DFI), the most of any Latin American country. According to the annual publication *Preliminary Overview of the Economies of Latin America and the Caribbean*, DFI destined for the Mexican economy increased by 43 percent. Brazil ranked second among countries attracting DFI, with 28.2 percent. Among preferred cities to conduct business in, Sao Paulo ranked third while Monterrey ranked fourth. (Source: *El Financiero*, 2/16/05; ATO Monterrey Comment: From January 2004 to September 2004, the Food, Beverage and Tobacco Industry received 7 percent, or about US$ 1 billion of Mexico's DFI).

DEVELOPING MARKET FOR SWEETENERS

Increasing demand for low-calorie products and the launchings of new light beverages have led to the development of the artificial sweetener market in Mexico. According to Mario Villas, president of the Food, Beverage, and Tobacco Industry Council for CANACINTRA (a national food processors and manufacturers association), consumption of these products grew 50 percent in the last three years. Nutrasweet and Splenda are among the most highly demanded sweeteners by soft drink bottlers and general beverage companies. Distinctions are also made between aspartame and saccharin, which are both utilized in beverages. According to data from CANACINTRA, products and beverages low in calories now contribute 20 percent of the industry's sales and will contribute 50 percent within the next 10 years. Consumer health concerns will continue to strengthen the market, providing a great opportunity for American companies that produce and export artificial sweeteners. (Source: *Reforma*, 2/16/05)

MEXICO APPROVES BIOSECURITY LAW

Mexico's Senate recently approved a new piece of legislation known as the GMO Bio-security Law, which seeks to regulate the use and trade of GMOs, including imports and exports. The new piece of legislation encompasses a wide array of topics including the encouragement of scientific investigation and technology as well as guarantees for appropriate and efficient levels of protection for animal and plant health, the environment, and biological diversity. One aspect of the new law requires that all products containing GMOs and destined for human consumption must explicitly label their nutritional composition when they differ significantly from conventional products. The new legislation also calls for the development of a National Biosecurity Information System and a National Biosecurity and GMO Registry, along with the restructuring of the Intersecretarial Commission on Biosecurity and GMOs (CIBIOGEM). The Commission's task will be to formulate and coordinate the politics of the federal government on transgenic issues. Penal sanctions and fines have been drafted for those who violate the new law. (Source: *NotiMex*, 2/15/05; Note: This is the same law passed by the Lower House as reported in December 2004.)

PRESIDENT FOX ANNOUNCES MEXICAN ECONOMIC GROWTH HIGHER THAN THE U.S.

President Vicente Fox affirmed that Mexico has already compiled six consecutive quarters of economic growth at "a higher rate than the United States economy." Also, he assured that in his government's first two years in office, extreme poverty decreased 16 percent in Mexico. This was made possible by the rapid increase in national and foreign investment, in addition to public sector investment. The President made this statement after the Treasury Secretary, Francisco Gil-Diaz, announced the creation of a US$ 250 million venture capital fund to encourage investment in small and medium-sized companies in Mexico that, supported by other investors, could reach US$ 3.0 billion. (Source: *La Jornada*, 02/24/2005)

APPLE PRICE AGREEMENT WILL NOT GO INTO EFFECT

Per instructions from Mexico's 16th District Court Judge, the Secretariat of Economy (SE) must stop the implementation of the Resolution published in December 29, 2004. This resolution suspended the application of the 46.58 percent duty on imported U.S. Red and Golden Delicious apples from the Pacific Northwest and established a new reference price system. The Apple Producers Association from Chihuahua successfully requested a court injunction ("amparo") against the SE decision that was to enter into effect on February 28, 2005. Since the Judge required SE to re-initiate its antidumping investigation against US apples, it appears the most probable outcome is that all stakeholders will meet with SE to find a joint solution to this issue. (Source: *El Financiero*, 02/25/05)

ENHANCE NAFTA WITH UNITED STATES AND CANADA, SERRA SUGGESTS TO FOX

The Trade Secretary in former President Carlos Salinas de Gortari's government, Jaime Serra Puche, stated that now is the moment to renegotiate and adapt NAFTA to Mexico's new circumstances and better prepare to face China's competition. He recommended that the government of President Vicente Fox supplement the trilateral agreement. Only this way will Mexico will be able to face, among other things, the obstacles that the United States imposed with the new Bioterrorism Law, he said. (Source: *El Financiero*, 02/28/2005)

THE UNITED STATES AND CENTRAL AMERICA "SAVE" MEXICO'S TRADE

The Bank of Mexico announced that the United States and Central America were the only regions in which Mexico reported a commercial surplus in 2004, while it had a trade deficit with Asian countries. Mexico achieved a trade surplus of US$ 54.2 billion with the United States, a growth of 39.3 percent compared to 2003, and a surplus of US$ 782 million with Central American countries, although it decreased 20.4 percent when compared to the previous year. (Source: *Reforma*, 02/28/2005)

"DANGER SIGNS" FACING MEXICO'S AGRICULTURE DUE TO NAFTA

According to Andres Rosenzweig, external consultant of the Economic Commission for Latin

America (CEPAL) in Mexico, there are "danger signs" facing the domestic rural sector due to the complete trade liberalization of agricultural products like corn and dry edible beans foreseen in the North American Free Trade Agreement (NAFTA). The specialist noted that all agricultural products have been liberalized since 2003, with the exception of corn, dry edible beans, powdered milk, and orange juice. These products will be under free market forces among the NAFTA countries, beginning in 2008. He stated that, according to estimates, at least 51 percent of Mexico's countryside population lives in poverty, while 32 percent of day laborers lack salaries and others do not even earn the equivalent of two minimum wages (which is not enough to support a family). Therefore, Andres Rosenzweig outlined the importance of encouraging development and social-welfare promotion policies that favor small and medium agricultural growers. (Source: *Excelsior*, 02/28/2005)

JAPANESE MARKET: AN OPPORTUNITY FOR MEAT PRODUCTS

Mexican producers have the opportunity to enter the Japanese market by offering high quality products like beef, poultry meat and fresh oranges, said the Japan External Organization (JETRO) General Director Masakuyi Kawashima. Meanwhile, a Secretariat of Agriculture, Livestock, Rural Development, Fishery and Food (SAGARPA) press release confirmed that these Mexican products comply with JETRO's stringent food safety requirements. SAGARPA stated that Mexico's "BSE-free" status is expected to help Mexico become one of the Japanese market's main beef suppliers. In addition, poultry meat product exports are expected to thrive based on the efficient eradication of AI from the Mexican poultry sector.

Meanwhile, after concluding a business mission to Japan, the Head of the Foreign Trade Unit at the National Poultry Association (UNA), Humberto Arenas, said that Mexico has the ability to meet Japanese demand for poultry products in a timely manner. He further projected that Mexico will begin exporting value-added poultry products in the second half of 2005. "This results from Mexico's freedom from Avian Influenza and Newcastle Disease, which are key Japanese requirements for granting trade authorization for these products," Arenas concluded. (Source: *El Financiero*, 02/28/2005)

WAL-MART INVESTS NEARLY US$ 740 MILLION

According to Eduardo Solorzano Morales, president and general director of Wal-Mart of Mexico, Wal-Mart will invest nearly US$ 740 million for the opening of 70 stores and restaurants, a 30 percent increase from 2004. Of the total units that will be put in operation this year, 47 will be self-service stores: 9 Wal-Marts, 24 Bodegas Aurrera, 6 Superamas, and 8 Sam's Clubs. Three new Suburbia stores and 20 Vips restaurants will also be opened. Wal-Mart currently manages nearly 700 stores and restaurants at the national level. Last November, the company initiated pilot tests of a new format designated "Mi Bodega Aurrera", which is similar to a Bodega but smaller in size and designed for small towns and rural areas. According to analysts, one of Wal-Mart's competitive advantages is their ability to redesign some of their store formats to better penetrate smaller cities, offering great potential to the retail giant. (Source: *El Norte*, 2/24/05)

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To reach us at FAS/Mexico:

AgMexico@usda.gov, ATOMexico@usda.gov, or ATOMonterrey@usda.gov