



USDA Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Template Version 2.09

Voluntary Report - public distribution

Date: 3/17/2005

GAIN Report Number: MX5024

Mexico

Agricultural Situation

Weekly Highlights and Hot Bites, Issue #9

2005

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Report Highlights:

- MEXICO INCREASES DAIRY CATTLE PURCHASES FROM NEW ZEALAND
- MEXICO IMPORTS MORE GRAINS
- SAGARPA PERCEIVES RISK IN 2008 MARKET OPENING
- MEXICAN PORK PRODUCERS NEAR EXTINCTION DUE TO IMPORTS
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- SORIANA REPORTS 53.4 PERCENT INCREASE IN NET PROFITS

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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MEXICO INCREASES DAIRY CATTLE PURCHASES FROM NEW ZEALAND

According to a local newspaper, the Bovine Spongiform Encephalitis (BSE) affecting the United States' and Canada's trade with Mexico and the foot and mouth disease in South America have had a positive effect on Mexico's live cattle trade with New Zealand. According to the Commercial Director at the New Zealand Embassy in Mexico City, Jaime Arguelles, New Zealand has begun to ship pregnant dairy cattle to Mexico. Mexico's imports of these bovines will double in 2005, from 7,000 head purchased in 2004 to 15,000 head this year. (Source: *El Universal*, 03/09/05)

MEXICO IMPORTS MORE GRAINS

Mexico is currently the second largest basic grain importer worldwide. According to U.S. Department of Agriculture data (USDA), in 2005 Mexico will import 13.9 MMT of grains, second only to Japan. USDA states that Mexico will capture 6 percent of the total world grain imports. In the case of wheat, the 2005 imports would constitute the largest amount imported by Mexico since USDA started tracking this information 30 years ago. (Source: *Reforma*, 03/14/2005)

SAGARPA PERCEIVES RISK IN 2008 MARKET OPENING

According to a local newspaper, within the first thousand days that corn, beans, powdered milk and sugar are imported from the United States free of import tariffs, some issues will still need to be addressed to avoid Mexican producers suffering the effects of globalization. The Agriculture Secretariat stated that in spite of the efforts that have been made to support those sectors, they still face some problems such as transport logistics that prevent the Mexican industry from achieving a higher degree of efficiency. Javier Usabiaga, the Agriculture Secretary, recognized that in the case of corn, sugar, dry beans and powdered milk, both the Government and the growers themselves should pay greater attention to these products in order to better compete starting in 2008. (Source: *Reforma*; 03/14/2005)

MEXICAN PORK PRODUCERS NEAR EXTINCTION DUE TO IMPORTS

According to a local newspaper, the president of the National Association of Pork Producers (CMP), Julian Aguilera, indicated that Mexican pork producers demanded the GOM to stop all

imports of pork meat since Mexican product is losing ground to imports and the domestic pork producers are on the verge of disaster. Julian Aguilera said that out of the 600,000 metric tons of pork meat imported annually to the country, 250,000 metric tons are pork legs imported annually from the United States. According to CMP, many pig farms have closed in the past couple of years in the states of Yucatan, Guanajuato and Michoacan. (Source: *El Financiero*, 03/15/05)

CHEDRAUI BUYS CARREFOUR'S MEXICO STORES

On March 10, Chedraui announced its purchase of the 29 Carrefour stores in Mexico. With this purchase, Chedraui has leaped into the national supermarket fray that includes the Wal-Mart, Comercial Mexicana, Soriana, and Gigante chains. Analysts believe that Chedraui will sell some of the Carrefour properties or develop them as Best Buy electronics stores. The reported purchase price was 545 million dollars. (Source: *El Financiero*, 3/15/05)

SORIANA REPORTS 53.4 PERCENT INCREASE IN NET PROFITS

Net sales for Soriana reached US\$ 3.7 billion at the close of 2004, an increase of US\$ 458 million with respect to net sales reported at the end of 2003. This increase has been attributed to the opening of 24 new stores during 2004, which represents a 13 percent sales floor increase from the previous year. Throughout last year, Soriana achieved an 8 percent increase in clientele traffic and a 5.4 percent increase in average client purchases. Gross profits amounted to US\$ 815 million, 13.6 percent higher than 2003. Net profits amounted to US\$ 235 million, representing a 53.4 percent increase as compared to 2003. (Source: *El Financiero*, 3/9/05)

REPORTS RECENTLY SUBMITTED BY FAS/MEXICO CITY

NUMBER	TITLE	DATE
MX5021	Weekly Highlights and Hot Bites, Issue #8	03/09/05
MX5022	Grain & Feed Annual Report	03/10/05
MX5023	Mexico reduces MFN import tariff for sugar	03/15/05

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