



USDA Foreign Agricultural Service

# GAIN Report

Global Agriculture Information Network

Template Version 2.09

Voluntary Report - public distribution

**Date:** 4/28/2005

**GAIN Report Number:** MX5038

## Mexico

### Agricultural Situation

### Weekly Highlights and Hot Bites, Issue #15

2005

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**Report Highlights:**

- TOMATO PRICES INCREASE DUE TO DEMAND IN THE U.S. MARKET
- MEXICO FACES STRONG COMPETITION FROM CENTRAL AMERICAN TEXTILES
- MEXICAN BIO-SECURITY LAW TO TAKE EFFECT DESPITE INCOMPLETE REGULATIONS
- SUPERMARKETS AND CHANGING CONSUMER TRENDS SEND BAKERY INDUSTRY INTO CRISIS
- MEXICAN WINE PRODUCERS BENEFIT FROM IMPORTS

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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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### **TOMATO PRICES INCREASE DUE TO DEMAND IN THE U.S. MARKET**

Due to high demand for tomatoes from the United States, wholesale domestic prices in Mexico increased 54 percent from the first week to the second week of April 2005. U.S. demand for imported tomatoes increased as a result of lower domestic supplies due to the hurricanes that affected Florida in July and August 2004. According to the National System of Information and Market Integration, in general, prices for tomatoes are 42 percent higher than those from the same period in 2004. Domestic production was smaller than expected due to rainfall during January and February 2005 in the state of Sinaloa, the main supplier of tomatoes, which has also pushed domestic prices higher. (Source: *Reforma*; 04/20/2005) (Dulce)

### **MEXICO FACES STRONG COMPETITION FROM CENTRAL AMERICAN TEXTILES**

The U.S. Commerce Department stated that Central American countries have already surpassed Mexico's knitwear exports to the United States. In 2004, Honduras, El Salvador, Nicaragua and Guatemala exported US\$ 4.8 billion of knitwear products to the United States, while Mexico sold US\$ 2.7 billion. Also, Central American apparel exports grew 9.6 percent last year, while Mexico's exports declined 7.5 percent. (Source: *Reforma*; 04/25/2005) (Ben)

### **MEXICAN BIO-SECURITY LAW TO TAKE EFFECT DESPITE INCOMPLETE REGULATIONS**

Mexico's Bio-Security Law, published on March 18, 2005 in the Diario Oficial, requires at least 15 official regulations for full application, including those that regulate bottling, labeling, storage, transportation, imports, exports and risk studies. However, even though some of the regulations have not yet been fully established, the Law will go into effect on April 29, 2005. According to legislators, producers and industrialists, the formation of the respective regulations are currently underway and are expected to be fully effective by 2006. (Source: *Reforma*, 04/22/2005) (Marissa)

## SUPERMARKETS AND CHANGING CONSUMER TRENDS SEND BAKERY INDUSTRY INTO CRISIS

Large supermarket chains and changes in consumers' dietary habits have slowed the traditional bakery industry, which is trying to modernize itself to avoid disappearing altogether, declared Julio Solis Luna, adviser to the Bakery Industry Chamber in the Lagunera region. In Mexico and all of Latin America, the biggest challenges for industrialists are labor shortages and falling sales. According to Luna, many families have abandoned the traditional purchase of bread, which strongly affects bakeries. Luna explained that NAFTA allows industrialists to import advanced technology and incorporate it into their production systems. Smaller bakeries must distribute their products to stores, sell door to door and introduce whole grain bread products in order to survive in the market. (Source: *Siglo*; 04/18/2005) (Marissa)

## MEXICAN WINE PRODUCERS BENEFIT FROM IMPORTS

According to Rafael Almada, director of the National Association of Wine Producers, increased imports of cheap table wine benefit the Mexican market since they cause more people to sample the beverage, which will ultimately cause them to migrate to higher quality wines. He states that general consumption is growing and that the Mexican wine industry has the capacity to produce more wine to meet increased demand. However, some experienced wine importers see a threat from supermarkets that import wine directly because they drive prices downwards. According to Ramon Posada, brand manager of Importaciones Cantabria, a company dedicated to the importation and commercialization of wines and liquors, prices of wines should be 30 percent higher. Annual consumption is estimated to be between 3.5 and 3.8 million cases, of which 1.1 or 1.2 million are national product and 2.5 million are imported. (Source: *El Norte*, 04/17/2005) (Marissa)

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