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Report Highlights:

- **WTO DECISION ON HFCS MAY BENEFIT MEXICAN CHOCOLATE AND CANDY PRODUCERS**
- **MEXICAN SUPERMARKET GROWTH CONTINUES UNABATED**
- **LEGISLATORS AND CANE PRODUCERS REQUEST THE PRESIDENT NOT TO REJECT THE SUGARCANE LAW**
- **MEXICO ALLOWS WHEAT IMPORTS FROM CALIFORNIA, ARIZONA, TEXAS, AND NEW MEXICO**

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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WTO DECISION ON HFCS MAY BENEFIT MEXICAN CHOCOLATE AND CANDY PRODUCERS

Mexican chocolate and candy producers continue to lament the Government of Mexico's policies of supporting sugar cane and cocoa producers, keeping domestic prices of these products higher than world prices, while allowing the import of chocolate and candy at zero duty. However, this situation could change in the coming months if Mexican soft drink manufacturers can start using High Fructose Corn Syrup (HFCS) in place of sugar, after last week's decision by the WTO against Mexico's 20 percent tax on soft drinks containing HFCS. The soft drink manufacturers' move toward HFCS will free up sugar for use by Mexican candy and chocolate producers. (*El Financiero*, 07/14/05)

MEXICAN SUPERMARKET GROWTH CONTINUES UNABATED

The Soriana supermarket chain announced the opening of its seventh Mercado format supermarket in 2005, in the state of Tamaulipas. Soriana also announced the third opening this year of its 'City Club' club store format in Durango. The addition of a Soriana hypermarket brings the total of Soriana stores in Mexico to 173. Another chain, Comercial Mexicana, just opened a Mega format store in Los Cabos and re-opened a Comercial Mexicana supermarket in Irapuato, Guanajuato, bringing its total to 240 stores in Mexico, plus 59 restaurants and 25 Costco club stores in which Comercial Mexicana holds a 50 percent stake. (*El Financiero*, 07/12/05)

LEGISLATORS AND CANE PRODUCERS REQUEST THE PRESIDENT NOT TO REJECT THE SUGARCANE LAW

After President Fox indicated that the government would reject the Sugarcane law, Legislators requested the President not "veto" the Law, as the sugar sector would be severely affected and would put at risk the 2005/2006 cane harvest that begins in October. A prominent leader of the sugarcane producers in the Mexican Congress, Carlos Blackaller, pointed out that sugarcane producers would defend the Law with their "machetes" (heavy knives) if necessary. In fact, according to local reports, sugarcane producers in the state of San Luis Potosí, already began to block access to and demonstrate in front of the four sugar mills in the area (Plan de Ayala, Plan de San Luis, San Miguel del Naranjo, and Alianza Popular). More, stronger demonstrations are expected to be organized soon to press for the approval of the Law. Producers warned that the intention of the government is to decrease sugarcane prices. On the other hand, the sugar-mill industry agrees with the government's

decision, stating that the Sugarcane Law did not resolve the agro-industry's problems, was inflexible, and decreased overall competitiveness. The President will have to wait for the ordinary sessions of the Congress in September to officially reject the Law. (Source: Reforma, Financiero, Universal 07/14/05)

MEXICO ALLOWS WHEAT IMPORTS FROM CALIFORNIA, ARIZONA, TEXAS, AND NEW MEXICO

The Secretariat of Agriculture (SAGARPA) has recently acknowledged areas in the states of California, Arizona, Texas, and New Mexico as free of Karnal bunt and will allow imports of wheat from those areas that are not quarantined. SAGARPA requires that all wheat shipments include an export health certificate that must include a statement indicating that the wheat is originally from an area that is known not to have Karnel bunt, confirmed by samples taken in the field or by testing for spores and infested grains. (Source: SAGARPA, 07/11/05)

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MX5055	Weekly Highlights and Hot Bites, Issue #21	7/01/05
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MX5053	Asparagus Annual Report	6/15/05
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