



USDA Foreign Agricultural Service

# GAIN Report

Global Agriculture Information Network

Template Version 2.09

Voluntary Report - public distribution

**Date:** 8/05/2005

**GAIN Report Number:** MX5066

## Mexico

### Agricultural Situation

### Weekly Highlights and Hot Bites, Issue #25

2005

**Approved by:**

Suzanne E. Heinen  
U.S. Embassy

**Prepared by:**

Bruce Zanin, Benjamin Juarez, and Erich Kuss

---

**Report Highlights:**

- **MEXICAN EXPORTS TO BE IMPACTED BY CAFTA**
- **MEXICO SEES HOUSING GROWTH**
- **APPEAL TO UPDATE CUSTOMS LAW**
- **MEXICO'S CENTRAL BANK CUTS 2005 GDP GROWTH FORECAST**
- **SUGAR CANE GROWERS PUT PRESSURE ON FOX**
- **NEW GOVERNMENT PROGRAM TO SUPPORT DIRECT SALES FROM PRODUCERS TO SUPERMARKETS AND FOOD PROCESSORS**

---

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.

**DISCLAIMER: Any press summary contained herein does NOT reflect USDA's, the U.S. Embassy's, or any other U.S. Government agency's point of view or official policy.**

### **MEXICAN EXPORTS TO BE IMPACTED BY CAFTA**

Analysts and leaders of the Mexican export sector noted that the recent passage of the Free Trade Agreement between the United States and Central America and the Dominican Republic (CAFTA) by the United States will impact Mexico's competitiveness and will divert potential foreign-owned investments from the country. Juan Manuel Quiroga, director of the Mexican Northeast Council of Foreign Trade was quoted as saying that: "All trade openings by United States have a negative effect on the preferences that Mexico had achieved with NAFTA. Honduras and El Salvador, in the textile sector, will have tariff preferences with the United States thanks to this agreement, and these preferences will be much more competitive than those that Mexico has." At the same time, Jorge Vasquez Costilla, president of the consulting firm Harbor Intelligence, offered the opinion that Foreign Direct Investment in Central America would be favored to the detriment of Mexico. (Source Reforma; 08/03/2005)

### **MEXICO SEES HOUSING GROWTH**

With multiple institutions able to make housing loans and pent-up demand after years of a tight money market and high interest rates, Mexican housing construction is exploding. In 2000, mortgage loans averaged US\$ 20-25 million per month. Presently these loans are in the range of US\$ 300 million per month. In addition, lending rates are at about 12 percent annually and could drop below 10 percent by year's end. (*El Financiero*, 8/1/05)

### **APPEAL TO UPDATE CUSTOMS LAW**

The Mexican Customhouse Brokers Association (CAAREM) just released a report urging the Mexican Congress to reform the Customs Law of 1995. The present law is too rigid, does not meet the needs of international trade, is not transparent, is overly bureaucratic, and encourages corruption according to the report. An example given in the report notes that inadvertently switching two digits in an invoice number in a customs declaration results in a fine of 70 percent of the item's value. The article notes that CAAREM members hope that Congress will reform the Customs Law by October of this year. (*El Financiero*, 8/1/05)

### **MEXICO'S CENTRAL BANK CUTS 2005 GDP GROWTH FORECAST**

The Mexican central bank lowered its forecast for economic growth this year, citing expectations that the U.S. manufacturing sector will expand less than previously forecast. Mexico's economy, Latin America's largest, will grow as much as 3.75 percent in 2005, the central bank said in its quarterly inflation report on July 27, 2005. As recently as July 22, the central bank had said the economy would expand by as much as 4 percent, following growth of 4.4 percent in 2004. "There are two reasons for the new estimate," said Manuel Ramos Francia, Banco de Mexico's chief economist. "The U.S. economy is showing lower rates of growth, and Mexican exports have lost U.S. market share," he said at a Mexico City news conference. The nation's economic growth is easing as manufacturing output in the United States, which buys 85 percent of Mexican exports, also slows. U.S. industrial production probably will grow 3.4 percent this year, the central bank said, after a 4.4 percent expansion in 2004. At the same time, the United States is buying more from China than from Mexico. Mexican products accounted for 10 percent of U.S. imports in the first five months of the year, compared with China's 14 percent market share. Until 2003, Mexico had a larger market share than China. (Source: El Universal; 07/28/2004)

### **SUGAR CANE GROWERS PUT PRESSURE ON FOX**

At least 15,000 growers left their crops behind to come, machetes in hand, to the capital to voice objections to President Vicente Fox's promised veto of a new law providing support to the sector. The law, approved by Congress, would boost sugar cane production and sales through state-supplied support and incentives. Sugar growers say the measure is their only way of surviving in the face of cheap fructose imports from the United States, while Fox says the law hinders competition. "Our fields are fertilizing right now, the sugar cane is growing, but our livelihood is threatened and we had to come to put pressure on the president," said Edilberto Carreon Guzman, a representative of a grower's organization from Veracruz. Carreon explained that in order for small producers to survive, they need to be able to negotiate together with the mill owners. Without the law, "small growers will be ruined," Carreon said. "It would be a major social disaster." He said the law helps communities improve their standard of living by assuring a more regular income, allowing the collectives to invest in equipment, fertilizers, and researching more effective farming methods. In a press conference on July 27, Agriculture Secretary Javier Usabiaga acknowledged the pressure growers felt from foreign competition, but called on them to bring their complaints to the negotiating table, not the streets. "This is not about pitting forces against one another. It's a time for all aspects of the sugar producing sector to work together to assure equal treatment, fair distribution of payments, stability for growers, as well as competition and investment in the industry," he said. Mexico's sugar industry employs 270,000 cane growers and 130,000 workers, including cane cutters. An estimated 3.5 million people in many of the most isolated parts of the country rely indirectly on the sugar sector for their income. (Source: El Universal; 07/28/2005)

### **NEW GOVERNMENT PROGRAM TO SUPPORT DIRECT SALES FROM PRODUCERS TO SUPERMARKETS AND FOOD PROCESSORS**

The Ministry of Agricultura (SAGARPA) and the National Financial Bank (NAFINSA) announced a new program to support direct sales from agricultural producers to supermarkets and food processors. Under this program, producers will be able to receive immediate payment for the products they ship, instead of waiting 90 days, which is the normal credit period that supermarket and food processor buyers require of agricultural producers. Once a producer receives an invoice showing payment will be made in 90 days, he can turn that over to NAFINSA and get paid immediately in cash, minus interest costs. Under the program the interest costs will be subsidized by 50 percent by SAGARPA.

Through this program SAGARPA hopes to increase the value captured by agricultural producers from 20 percent of final retail value (figure from 2000) to 50 percent by 2006. (*El Financiero*, 07/26/05)

#### REPORTS RECENTLY SUBMITTED BY FAS/MEXICO CITY

NUMBER	TITLE	DATE
MX5064	2005 FAIRS Report	7/28/05
MX5063	Weekly Highlights and Hot Bites, Issue #24	7/25/05
MX5062	BSE Update (Tenth Edition)	7/25/05
MX5061	Agricultural Biotechnology Annual Report	7/15/05
MX5060	Weekly Highlights and Hot Bites, Issue #23	7/15/05
MX5059	Poultry Annual Report	7/14/05
MX5058	Weekly Highlights and Hot Bites, Issue #22	7/08/05
MX5057	Mexico's New Over Quota Import Tariff for Yellow Corn	7/07/05
MX5056	Planting Seeds Annual Report	7/07/05

We are available at <http://www.fas-la.com/mexico> or visit our headquarters' home page at <http://www.fas.usda.gov> for a complete selection of FAS' worldwide agricultural reporting.

#### FAS/MEXICO EMAIL

To reach us at FAS/Mexico:

[AgMexico@usda.gov](mailto:AgMexico@usda.gov), [ATOMexico@usda.gov](mailto:ATOMexico@usda.gov), or  
[ATOMonterrey@usda.gov](mailto:ATOMonterrey@usda.gov)