



USDA Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Template Version 2.09

Voluntary Report - public distribution

Date: 9/2/2005

GAIN Report Number: MX5078

Mexico

Agricultural Situation

Weekly Highlights and Hot Bites, Issue #29

2005

Approved by:

David Williams
U.S. Embassy

Prepared by:

Benjamin Juarez, Carlos Zertuche, Dulce Flores, Bruce Zanin, and Erich Kuss

Report Highlights:

- **WHITE CORN AND DRY BEANS, LAST CALL BEFORE THE NAFTA**
- **MEXICO TO OPEN BORDER TO BONE-IN U.S. BEEF WITHIN A MONTH**
- **MEXICO SHOULD APPEAL THE WTO RESOLUTION ON HFCS**
- **RETAIL GROWTH**
- **TOURISM INVESTMENT GROWTH CONTINUES DESPITE SECURITY PROBLEMS**
- **ANALYSTS: FOX'S ACHIEVEMENTS LIMITED**

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.

WHITE CORN AND DRY BEANS, LAST CALL BEFORE THE NAFTA

According to Jorge Witker, an academic within the Law Investigations Institute of Mexico's Autonomous National University, Mexico has viable legal jurisdiction to modify the North American Free Trade Agreement (NAFTA) and to exclude white corn and dry beans from the completion of the trade liberalization process scheduled for 2008. He explained that Mexico could achieve such an exclusion through the Doha Round of the World Trade Organization, which allows developing countries to establish or sustain protection for their sensitive agricultural products. Witker said that Mexico should take advantage of this to exclude white corn and dry beans from the current phase out process under NAFTA, as almost two million rural families depend on these basic grains. (Source: El Financiero; 08/31/2005)

MEXICO TO OPEN BORDER TO BONE-IN U.S. BEEF WITHIN A MONTH

Mexico's Secretary of Agriculture, Javier Usabiaga stated that Mexico will re-open its borders to U.S. and Canadian bone-in beef and products within the month. In light of the proposed opening, Usabiaga urged livestock breeders in Mexico to reinforce actions that increase the integration of the productive chain in order to grow at rates equal to those of other highly competitive markets in the global arena. (Source: El Norte; 8/30/2005)

MEXICO SHOULD APPEAL THE WTO RESOLUTION ON HFCS

According to the legal representative of the National Chamber for the Sugar and Alcohol Industries, Mexico has to appeal the WTO resolution on the 20 percent tax issue on HFCS that recently ruled in favor of the United States, contrary to opinions recently expressed by some within the Secretariat of Economy, who indicated that Mexico might not appeal. The industry representative indicated that the defense that Mexico developed during the WTO process was very good and must be sustained, as there are solid arguments and Mexico has nothing to lose and much to gain. (Source: El Financiero 08/31/05)

RETAIL GROWTH

The three largest supermarket chains in Mexico continued building new stores in the first half of 2005. Wal-Mart, which accounts for about half of all supermarket sales in Mexico, has added 16 new stores this year through early August, including 1 Superama, 2 Sam's Clubs, 3 Wal-Mart Supercenters, and 10 Bodegas Aurrera, bringing its total to 426 stores.

Through July, Soriana opened 14 stores, nine Mercados, four City Clubs and one Soriana, bringing its total to 175 stores. In addition, Soriana has 25 stores under construction and is planning to enter the ferociously competitive Mexico City market this year. Comercial Mexicana now has 180 stores, adding five stores through June 2005, while closing four. Its plans are to build another 12 stores this year. (*Walmart Mexico, Soriana, and Comercial Mexicana financial reports*)

TOURISM INVESTMENT GROWTH CONTINUES DESPITE SECURITY PROBLEMS

Despite the increase in crime, particularly in the border region, investment in tourism increased ten percent in the first half of 2005 to \$824 million. Almost three-quarters of all investment were concentrated in four states: Guerrero, Quintana Roo, Sinaloa and Sonora. (*El Financiero*, 8/18/05).

ANALYSTS: FOX'S ACHIEVEMENTS LIMITED

The macroeconomic stability that President Vicente Fox has achieved will be eclipsed by his administration's inability to make structural reforms, said economic experts on the eve of the president's fifth and final state of the nation address. Specialists from various think tanks and universities agreed that Fox made some gains in poverty reduction, housing construction, monetary policy and reduction in interest rates. He will likely avoid discussing the stagnated economic growth and lack of jobs, experts predict. Gerardo Cruz Vasconcelos, economic specialist from a business think tank, said Fox would focus his speech on housing growth. "He will also emphasize the stability in prices and the reduction in poverty levels." Raul Feliz, an academic in economics, agreed that the drop in the poverty indicators is a direct result of federal aid programs like "Opportunities," although the levels still remain high. "He will not talk about his failures. He will call upon Congress to collaborate on passing reforms. He won't admit that his government was incapable of negotiating agreements. However, Mexico is falling further behind in terms of international competitiveness. The country is not advancing at the pace it needs to," he said. Isaac Katz, an economist at ITAM, the Mexican Technological Autonomous Institute, added that the president can boast about reducing inflation, cutting interest rates, and expanding mortgage credits. However, "as always, what is left pending are reforms in labor, fiscal policy, and energy. He hasn't touched those issues in his five years at the helm." Fox can also talk about having channeled funds into education and health care, said Cesar Castro, an economist in Mexico City. However, he added, the glaring issue is economic growth, which in five years has only been 1.9 percent. Economic specialist Mario Rodarte said, "There's nothing new" for this administration to report, but states have enjoyed more resources thanks to oil revenues. At the Finance Secretariat, David Colmenares said Congress, rather than the President, blocked fiscal reform. He defended Fox by saying there will always be unfinished work in any administration. (Source: *El Universal*; 09/01/2005)

REPORTS RECENTLY SUBMITTED BY FAS/MEXICO CITY

| NUMBER | TITLE | DATE |
|--------|---|---------|
| MX5077 | Livestock Annual | 9/01/05 |
| MX5076 | Weekly Highlights and Hot Bites, Issue #28 | 8/29/05 |
| MX5075 | Mexican Customs Establishes Grace Period for Correcting Errors in Import and Export | 8/29/05 |
| MX5074 | Mexico Announces Tariffs in Response to Bryd | 8/22/05 |

| | Amendment | |
|--------|---|---------|
| MX5073 | Implementation of Secretariat of Health Regulations Governing Certain Segments of the Meat Industry | 8/19/05 |
| MX5072 | Weekly Highlights and Hot Bites, Issue #27 | 8/19/05 |
| MX5071 | Mexico Announces a Unilateral Soybean Meal TRQ | 8/19/05 |
| MX5070 | Mexico Establishes 2005 Additional Volume on Out-of-Quota Milk Powder Imports | 8/17/05 |
| MX5069 | Ciudad Reynosa Now Eligible as a Border Crossing Point For CLQs & Bovine Edible Offal Products | 8/12/05 |
| MX5068 | Weekly Highlights and Hot Bites, Issue #26 | 8/12/05 |
| MX5067 | Tree Nut Annual Report | 8/10/05 |
| MX5066 | Weekly Highlights and Hot Bites, Issue #25 | 8/05/05 |
| MX5065 | Final Decision in the Antidumping Case Against U.S. Inedible Soy Oil | 8/04/05 |

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