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## Mexico

### Agricultural Situation

### Weekly Highlights and Hot Bites, Issue #2

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Includes PSD Changes: No  
Includes Trade Matrix: No  
Unscheduled Report  
Mexico [MX1]  
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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.

### **ARTIFICIAL LIFE FOR CORN AND BEANS**

The Government of Mexico will be attempting to convince the U.S. to establish a mechanism to protect Mexican agricultural interests in light of the January 1, 2008, scheduled opening of the corn and bean market under the North America Free Trade Agreement (NAFTA). The Secretary of Economy, Sergio Garcia de Alba, confirmed that he and Francisco Mayorga, Mexico's Secretary of Agriculture, will meet in Washington with the U.S. Trade Representative, Rob Portman, and with the U.S. Secretary of Agriculture, Mike Johanns, to explore protection options for corn and beans, without renegotiating the NAFTA text. (Source: El Financiero; 01/09/2006)

### **MEXICO MAY IMPOSE IMPORT TARIFF TO THE US CORN: MAYORGA**

The Secretary of Agriculture, Francisco Mayorga Castañeda, confirmed that Mexico will study the recent decision by the Government of Canada to impose antidumping duties on U.S. corn, and could arrive at a similar decision. The GOM claims that the high subsidies paid to U.S. corn growers leaves Mexican corn farmers uncompetitive in domestic and international markets. Moreover, Mexico sugar cane farmers cannot compete in the sweetener markets against subsidized high fructose corn syrup from the U.S. Mayorga stated that Mexico will have a dialogue with the U.S. about different options for easing the burden on Mexican farmers, but also will not rule out imposing a compensatory tax on imported U.S. corn. (Source: El Financiero; 01/09/2006)

### **MEXICO SEEKS NEW AGRICULTURAL PACT**

Mexico's Economy and Agriculture secretaries will meet with their counterparts in the United States next week to seek a bilateral agricultural agreement outside the North American Free Trade Agreement (NAFTA), with the objective of protecting certain Mexican farm products. The visit aims to jump-start bilateral negotiations after the United States and Canada together rejected Mexico's attempt to renegotiate sections of the NAFTA. "Together Canada and the United States feel that there should be no renegotiation of the present agreement, which is why Mexico has decided to seek a bilateral agreement with the United States which could benefit both countries, without modifying the existing agreement," Presidential spokesman, Ruben Aguilar, said on Monday, January 9, 2006. Under consideration are "just four or five specific products such as corn and milk," the

spokesman said at a press conference. Aguilar told EFE that since the United States exports a significant volume of these products to Mexico, while Canada does not, the government is seeking direct negotiations with the United States. Farm organizations and various sectors of Mexican society have demanded that NAFTA's agricultural chapters be modified. They believe that once the free trade of these products is allowed, Mexican farming communities will be impoverished even more than they are now. NAFTA, which went into effect in 1994, is scheduled to eliminate tariffs on beans and white corn starting in 2008. (Source: El Universal; 01/11/2006)

### **NATIONAL FARMERS CONFERENCE INVESTS IN "PRODUCTION REVOLUTION"**

The National Farmers Confederation (CNC) stated that it is committed to investing in a "production revolution" that generates new leaders, growers, and technicians, who can confront the realities of globalization. However, the organization also reaffirmed its position that the GOM should renegotiate the agricultural chapters of NAFTA. They stated that they plan on demanding a NAFTA renegotiation from whoever wins Mexico's Presidency in 2006. (Source: El Financiero; 01/09/2006)

### **WOOD PACKAGING MATERIAL REGULATION UPDATE**

ATO Monterrey and FCS Monterrey collaborated on January 11 to present an internet-based seminar (Webex) entitled "ISPM-15, Guidelines for Regulating Wood Packaging Materials in International Trade". From their offices in Monterrey, Mexico, and with support from FCS/Mexico City, the power point presentation summarized important updates and the "Enhanced Phase-In Schedule" adopted by Canada, the United States, and Mexico. In addition to ATO and FCS presenters, Dr. Jose Bernal Stopen, Director General of Inspection for PROFEPA, the Mexican agency responsible for implementing ISPM-15, participated in the question and answer phase of the presentation. Individuals representing diverse U.S. industries across the United States logged onto the Webex presentation. (ATO Monterrey)

### **AI DETECTION IN CHIAPAS CLARIFIED**

The Mexican government clarified that the avian influenza virus detected in Chiapas in December 2005, was low pathogenic and of no risk to human health. Four counties in Chiapas were quarantined after positive serological evidence was found during routine testing. According to official regulations, the affected birds were slaughtered, as they pose a health risk to other birds. The Secretary of Health, Julio Frenk, emphasized that the strain found in Chiapas was H5N2, which is not related to the strain present in Asia. Despite these announcements, the Government of Guatemala reinforced sanitary controls at the border with Chiapas, Mexico, in order to prevent the entry of poultry products. Even though Guatemala does not officially import eggs or poultry meat from Mexico, Agricultural officials from Guatemala are trying to prevent any illegal entry of these products, as they are often found in Guatemalan markets. (Source: La Jornada, Cronica, Universal, 01/06/06; La Jornada, El Financiero 01/09/06)

### **SUPREME COURT DEBATES EXPROPRIATED SUGAR MILLS**

The Supreme Court of Justice is one vote away from ordering the Government of Mexico to return five sugar mills to the Machado Group. The Government of Mexico expropriated the five mills in question in 2001. Before a final decree is issued, the Supreme Court is

reviewing the legal criteria which guarantees a hearing to affected parties in the instance of expropriation. As the law now stands, the hearing is granted after the government issues the expropriation decree, except if there are foreign investors involved. The sugar mill owners have asked for a court injunction against expropriation based on this criterion, arguing that the owners were given the treatment normally reserved for foreign investors. If their proposal is accepted, the sugar mills will be returned to the former owners. (Source: el Financiero 01/10/06, El Nacional 01/11/06, El Economista, La Jornada 01/12/06)

### **LOW INFLATION FIGURES TO CONTINUE: GOVERNOR OF THE BANK OF MEXICO**

Central Bank Governor Guillermo Ortiz said core inflation will remain at or near record lows this year, signaling that policy makers are preparing to reduce interest rates in January for the sixth straight month. The inflation measure, which excludes food and energy prices, will be between 3.1 percent and 3.2 percent this year, Ortiz stated during a conference sponsored by the Autonomous Technological Institute of Mexico. Core inflation first fell below 3.2 percent in October. "We are not anticipating any inflation shocks for this year," Ortiz said, "And, we are removing the monetary restrictions we put in place in 2004." Rate cuts on the back of record-low inflation are expected to spur the economy to outperform last year's growth, which is estimated at 3 percent. In the same conference, Finance Secretary Francisco Gil-Diaz, stated that Mexico's economy is forecast to expand by 3.7 percent in 2006, which would be the second-highest level during President Vicente Fox's six-year term. Gil-Diaz also explained that annual inflation, including food and energy, will accelerate to more than 3.5 percent in January and February, on higher fruit and vegetable prices, from 3.33 percent in December. The increase in inflation, which dropped to a record low of 2.91 percent in November, will be temporary, Ortiz said. (El Universal; 01/13/2006)

### **MEXICO'S AGRICULTURAL GNP GREW 3.2% IN 2005**

Agricultural GNP closed December 2005 with a growth of between 1.5 and 2 percent, and a total annual growth of 3.2 percent. Agricultural GNP is also forecast to grow by 3.9 percent in 2006, according to the Agricultural National Council (CNA). CNA's president, Jaime Yesaki, believes 2005 was a good year for agriculture, and stated that the outlook for 2006 is optimistic. Yesaki also stated that 2005 milk output remained about the same as 2004 levels, beef production grew 3 percent, and egg production grew more than 4 percent. In contrast, honey production fell by roughly 10 percent, mainly due to hurricane damage. (EL SOL DE MEXICO JAN. 01)

### **BEAN PRICES INCREASE 45%**

Starting this week, bean prices in Mexico will increase 25 to 45 percent, according to Luis Montemayor, director of Grasel, one of Northwestern Mexico's largest grain companies. The increase was expected last December, but supermarkets held prices down over the Christmas holidays. This increase is due to the 50% reduction in bean production, mainly attributed to poor weather conditions. Annual domestic production of beans averages 1.2 mmt, according to Mexico's Ministry of Agriculture (SAGARPA). Montemayor stated that he believes that because of significant price differentials, U.S. imported beans will displace domestic beans in the Mexican market. (EL NORTE JAN. 03)

### SAGARPA TRAINS GROWERS

Mexico's Ministry of Agriculture and Development Bank, NAFIN, offered a training course for growers called "How to sell to supermarkets". This course was part of a larger effort to promote the use of the SAGARPA-NAFIN Agri-food Chain Development Program amongst growers. This program offers resources that can cover up to 50% of trade operations between growers and supermarket chains, thus eliminating unnecessary intermediaries. Growers from different states attended the course, and covered the marketing of a variety of products such as avocado, mango, orange, bean, pineapple, pepper, flowers, rice, and seafood. (ECONOMISTA JAN. 05)

### BAFAR AIMS FOR 400 STORES

BAFAR, one of Northern Mexico's top distributors of refrigerated products, inaugurated two new Carne Mart stores last week, and expects to have 400 stores in the next five years. 10 million pesos (US \$925,000) were invested for these two stores, consolidating an innovative concept of a BBQ-convenience store. This concept focuses on beef, pork, poultry, and seafood, but also sells related products such as salsas, tortillas, beer, ice, charcoal, and dairy. Carne Mart stores are located in the northern states of Baja California, Sonora, Chihuahua, Coahuila, Nuevo Leon, Sinaloa, Durango, and Zacatecas, and provide services to over 4 million customers. (BIZNEWS JAN. 06)

### REPORTS RECENTLY SUBMITTED BY FAS/MEXICO CITY

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MX6005	Pork Leg Antidumping resolution	1/13/06
MX6004	Weekly Highlights and Hot Bites #1	1/6/06
MX6003	TRQ Milk Powder USA	1/9/06
MX6002	TRQ Milk Powder WTO	1/9/06
MX6001	TRQ Dairy Preparations	1/9/06
MX5111	Weekly Highlights and Hot Bites, Issue #45	12/23/05
MX5110	Weekly Highlights and Hot Bites, Issue #44	12/16/05

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