



USDA Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Template Version 2.09

Voluntary Report - public distribution

Date: 4/28/2006

GAIN Report Number: MX6034

Mexico

Agricultural Situation

Weekly Highlights and Hot Bites #16

2006

Approved by:

David J. Williams
U.S. Embassy

Prepared by:

Luis Chavez, Gabriel Hernandez, Dulce Flores, Salvador Trejo, Bruce Zanin, and Jeff Nawn

Report Highlights:

- WINE CONSUMPTION CONTINUES TO GROW
- NEW BUSINESS STRUCTURE AVAILABLE TO LENDERS
- NEW BUSINESS STRUCTURE AVAILABLE TO LENDERS
- MORE FRUCTOSE IS BEING IMPORTED INTO MEXICO
- MEXICO'S ECONOMIC GROWTH LEADS IN LATIN AMERICA
- U.S. COMPANY TO INVEST IN MEXICO
- LEGISLATORS REQUEST THOROUGH INSPECTIONS OF U.S. MEAT
- SENATE APPROVES BIO-FUEL LAW
- WHITE CORN SUPPLY MAY SPUR SHIFTS IN PLANTINGS

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.

WINE CONSUMPTION CONTINUES TO GROW

Anecdotal evidence shows that 2005 was another record year for wine sales in Mexico. Domestic wineries are saying that sales increased by 20 percent, while importers claim their sales went up 18 to 25 percent. (*Reforma*, 4/28/06)

NEW BUSINESS STRUCTURE AVAILABLE TO LENDERS

The Mexican Lower House unanimously approved a proposed law which will allow finance companies with a limited scope of business (SOFOL) to convert to finance companies with a broad scope of business (SOFOM). Essentially, the change means that finance firms can now lend in more than one sector – agriculture, housing, and international trade, for example – rather than being limited in their activities by government regulations. There will be a transition period for SOFOL's to transform themselves into the new SOFOM structure. The change should improve the lending flow, particularly to smaller businesses, as customers will now have the option to go to one financial institution for most of their lending needs. (*Reforma*, 4/26/06)

MORE FRUCTOSE IS BEING IMPORTED INTO MEXICO

In January/February of 2006 Mexico imported U.S. \$13 million worth of high fructose corn syrup (HFCS), compared U.S. \$4 million during the same period in 2005. According to legislators and sweetener industry sources, greater HFCS imports are a result of the WTO decision against the 20 percent tax on fructose used in soft drinks, and the 250,000 MT pound-for-pound sugar for fructose exchange agreement with the U.S. One legislator noted that since the WTO declared the soft-drink tax illegal soda bottlers have sought numerous court injunctions against the tax. The legislator predicted that the imported fructose will displace domestic sugar, cause sugar prices to plummet, and drive up Mexican sugar inventories. The President of the Chamber for the Sugar and Alcohol Industries, Ruben Garcia, predicted that the sugar industry will lose about \$650 million pesos (U.S. \$59 million) as a result of U.S. HFCS imports. In order to mitigate this damage Garcia, proposed that the U.S. accept Mexican sugar free of the current U.S. \$70 per ton tax. (SOURCE: *Reforma* 4/27/06)

MEXICO'S ECONOMIC GROWTH LEADS IN LATIN AMERICA

According to a recent report by the World Bank, between 1995 and 2004 Mexico experienced the largest growth amongst the three biggest Latin American economies. Between 1995 and 2004 Mexico's growth rate averaged 3.3 percent per year, surpassing Brazil, which grew by 2.0 percent, and Argentina, which grew by barely 0.1 percent. (Source: El Universal, 04/28/06)

U.S. COMPANY TO INVEST IN MEXICO

Larry N. Prosser will go from real state and golf course development to investing in Mexico's agricultural sector. His first project will be a U.S. \$30 million fruit and vegetable distribution center in the state of Yucatan. The new company being formed for this project, Peninsular Farm Products, will harvest, pack, distribute, and export papaya. The company will provide employment opportunities to henequen (hemp fiber) farmers who went out of business after the fiber market was flooded by Brazilian imports. Project manager Arturo Lopez commented that state-of-the-art technology will be used to renovate the former henequen plantations. (MILENIO, APR. 24)

LEGISLATORS REQUEST THOROUGH INSPECTIONS OF U.S. MEAT

Rep. Gonzalo Aleman, president of the Mexican Congress' Special Commission on Livestock, announced today that Congress will require food health authorities to thoroughly examine meat imports from the United States in order to prevent bovine spongiform encephalopathy (BSE or "mad-cow disease") cases in Mexico. The Commission scheduled meetings with the two Mexican agencies that oversee food safety; the Federal Commission for the Protection against Sanitary Risk (COFEPRIS), and the National Agri-food Health, Safety, and Quality Service (SENASICA). Rep. Aleman stated that Congress will request authorities to reject bone-in beef imports, and to carry out random inspections in supermarkets in order to locate and eliminate contaminated products. (LA PRENSA & EL DÍA, APR. 24)

MEXICO MAINTAINS COMPENSATORY TARIFFS ON U.S. MEAT

Mexico's Ministry for the Economy (SE) announced today that the compensatory tariffs on beef (with or without bone, fresh or frozen/refrigerated) from the United States will continue for the next five years. The decision was based on a study carried out by SE that concluded that the elimination of the tariff would severely damage the domestic meat industry. The study also prognosticates that there is a serious threat of imports at dumping prices if the tariff is removed. During a related press conference, Alejandro Gomez, Undersecretary for Standards, Foreign Investment, and International Trade, pointed out that this measure sends a clear message that Mexico will protect its domestic industry against unfair trade. (EXCELSIOR & MONITOR, APR. 25)

SENATE APPROVES BIO-FUEL LAW

On April 27, 2006, Mexico's Senate approved the Bio-Fuel Promotion and Development Law in an effort to support the country's energy self-sufficiency through the development of alternative fuels. The proposal will be sent back to the Lower House for discussion and final approval, in accordance with Congress' legislative process. The Law outlines the promotion of agricultural production and employment by defining a "national bio-fuel strategy". It also

assigns responsibilities to Federal and State governments to support this new industry by facilitating the establishment of processing plants that will generate ethanol, bio-diesel, and other bio-fuels. (EL ECONOMISTA, APR. 28)

WHITE CORN SUPPLY MAY SPUR SHIFTS IN PLANTINGS

During the 1990's domestic yellow corn production was practically nonexistent. By 2000 production had increased to 200,000 MT. It is currently forecast to surpass the 1.2 MMT, largely driven by the "agriculture by contract" schemes between producers and the starch and fructose industries. Accordingly to the Mexico's National Corn Producers Federation (CNPAMM), the yellow corn supply has increased as a direct response to the demands of several industries such as the starch industry, livestock producers, and the newly born bio-energy industry. CNPAMM president Carlos Salazar said that this increase is also a response to the current supply of white corn. "There is the need to shift toward yellow corn production because there is a risk of over-supply of white corn in certain regions." CNPAMM is currently forecasting increased white corn yields in the States of Jalisco, Mexico, and Chiapas, which will lead to significantly greater production, and therefore depressed prices. Carlos Salazar urged producers to continue to shift from white to yellow corn production, and called for the timely publication of rules under which price supports will be promulgated. (Source: El Financiero; 04/26/2006)

REPORTS RECENTLY SUBMITTED BY FAS/MEXICO CITY

NUMBER	TITLE	DATE
MX6033	Citrus Semi-Annual	4/27/06
MX6032	Mexico Announces the Continuance of Compensatory Duties on Beef Imports	4/25/06
MX6031	Weekly Highlights and Hot Bites #15	4/21/06
MX6030	Dried Fruit Annual	4/11/06
MX6029	Sugar Annual Report	4/10/06
MX6028	Oilseeds and Products Annual	4/10/06
MX6027	Weekly Highlights and Hot Bites #14	4/7/06
MX6026	Weekly Highlights and Hot Bites #13	3/31/06

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