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## Mexico

### Agricultural Situation

### Weekly Highlights and Hot Bites #19

2006

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**Report Highlights:**

- **PRESIDENTIAL RACE**
- **AMLO GIVES CNA THE COLD SHOULDER**
- **FIRST QUARTER GDP GROWS BY 5.5%, FASTEST PACE SINCE 2000**
- **BARSIN, A NEW ALTERNATIVE**
- **HIGHER SUGAR PRICES AFFECT OTHER INDUSTRIES**
- **CONCERN FOR MEXICAN DRY BEANS PRODUCERS**
- **GROWING AND STEADY DEMAND FOR READY-TO-EAT FOODS**

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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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### **PRESIDENTIAL RACE**

Calderon, a former energy minister in the Fox administration, took the lead in an "El Universal" voter opinion poll on Monday, May 15. Calderon led with 39 percent of the vote in May, up from 34 percent in April. Former Mexico City Mayor Andres Manuel Lopez-Obrador's support fell to 35 percent in the poll, down from 38 percent. The survey is at least the fourth to show Calderon. In separate ads Calderon has claimed his plan to boost investment will create jobs and stem immigration to the United States. The "El Universal" poll of 1,500 voters across the nation was taken May 5-8 and has a margin of error of plus or minus 2.5 percentage points. (Source: El Universal; 05/15/2006)

### **AMLO GIVES CNA THE COLD SHOULDER**

Despite invitations to meet with the Mexico's lead agribusiness association, presidential candidate Andres Manuel Lopez Obrador (AMLO), maintains that his schedule is full, reported the head of the National Agricultural Council (CNA) Jaime Yesaki. "We really regret this fact since our meet and greet meetings with the other candidates will start shortly — Calderon next week and Madrazo, Mercado, and Campa in June— but apparently the agricultural sector is not on AMLO's agenda, nor are meetings with agribusiness leaders," added Yesaki. The CNA recently presented "10 Basic Points for the Countryside" that the presidential candidates must take into consideration. Financing, technological investment, economic stability, as well as the continuance of current support programs, like PROCAMPO and Target Price, are some of the key points. Yesaki said that the CNA's view is that the candidates must think in terms of how to fuel the agricultural sector through a change in production patterns and commercialization channels. Also, "CNA does not support AMLO's intention to renegotiate NAFTA provisions on beans, corn, milk, and sugar. However, we do support the implementation of certain mechanisms to help the country face the market opening," Yesaki added. (Source: Reforma; 05/17/2006)

### **FIRST QUARTER GDP GROWS BY 5.5%, FASTEST PACE SINCE 2000**

The Mexican economy expanded at its fastest pace in almost six years in the first quarter of 2006, spurred by record oil prices, falling interest rates, and growing U.S. demand for exports. The economy grew 5.5 percent from the same period one year ago, and expanded by 2.7 percent in the fourth quarter of 2005, and 3.4 percent in the third quarter of 2005, stated a spokesman for the Secretariat of the Economy. The growth was even stronger

than the 5.4 percent median forecast in a Bloomberg survey of 20 economists. "The economy is very healthy," Alvarado Rodriguez, chief financial officer with Vitro SA, the nation's largest glassmaker, said in a telephone interview from Monterrey. "Our sales to manufacturers are increasing both inside and outside of Mexico." The acceleration of Latin America's second-largest economy ahead of the July presidential elections is helping turn polls in favor of Felipe Calderon, the candidate for the ruling National Action Party (PAN), said Chappell Lawson, a political science professor at the Massachusetts Institute of Technology. Calderon, a former energy secretary under President Vicente Fox, has stressed job creation in his campaign ads. "Calderon has begun emphasizing job creation to broaden his base," Lawson said in a telephone interview from Cambridge, Massachusetts. "If he can successfully own that issue, he will win the election." The economic expansion is also hurting the campaign of opposition candidate Andres Manuel Lopez Obrador, who has criticized the Fox administration for failing to create jobs. (Source: El Universal; 05/18/2006)

### **BARSIN, A NEW ALTERNATIVE**

Barsin ('bar without' in Spanish) is a new non-alcoholic bar in Mexico. A concept introduced in Spain, Barsin offers its patrons all of the regular bar staples, but with a twist: "no kick." Located in Mexico City, Barsin has been so successful in its first six months that there are plans to open a second Barsin in the near future. (Source: El Financiero 5/17/06)

### **HIGHER SUGAR PRICES AFFECT OTHER INDUSTRIES**

According to Mexican confectionary industry representatives, there is currently a great deal of speculation that the industry is at risk because of low sugar inventory levels and high domestic sugar prices. The President of the Food Industry from the State of Jalisco stated that imported sweets from China, Ecuador, and Chile have been gaining market share in Mexico because manufacturers in those countries are able to purchase sugar at lower prices on the international market, whereas Mexican producers are forced to purchase high priced domestic sugar. Mexican wholesale standard sugar prices have increased from March to May from \$5.46 to \$6.53 pesos/kg (U.S. \$0.49 to \$0.58/kg). This situation is leading to a loss of competitiveness for Mexican companies. Carlos Blackaller of the National Sugarcane Association admits that prices have increased, but justifies this by stating that they are only back to their fourth quarter 2004 levels. Blackaller added that changes in sugar prices reflect international conditions and not a lack of domestic supply. (Source: Reforma, Economista, 05/18/06)

### **CONCERN FOR MEXICAN DRY BEANS PRODUCERS**

According to Abraham Montes, leader of the National Union of Corn Growers of the National Farmers Confederation, dry bean producer concern about the 2008 NAFTA opening is not without merit. This scheduled market opening is a very serious matter because the elimination of the current barriers, in the form of tariff rate quotas (TRQs), will lead to a massive influx of dry beans from the U.S. into the Mexican market, and subsequently to the collapse of an already vulnerable industry. Abraham Mounts voiced his concern because white corn and dry beans farmers in the rural areas are, "not prepared for the competition." (Source: El Financiero; 05/19/2006)

## GROWING AND STEADY DEMAND FOR READY-TO-EAT FOODS

The Mexican middle class is growing, and more women are joining the workforce. The question for Mexican food retailers is how this demographic and economic trend will change consumer preferences. According to "Canasto de Alimentos," a division of AC Nielsen, demand for prepared, frozen, canned, and other ready-to-serve foods will grow by 9.7 percent in 2006. These well-informed consumers are also demanding more products without sugar or cholesterol. Overall, they are more selective in their purchasing for their families and more conscience of their own intake. (Source: Reforma 5/17/0)

### REPORTS RECENTLY SUBMITTED BY FAS/MEXICO CITY

NUMBER	TITLE	DATE
MX6040	Coffee Annual	5/15/06
MX6039	Dairy Semi-Annual	5/15/06
MX6038	Weekly Highlights and Hot Bites #18	5/15/06
MX6037	Cotton Annual	5/12/06
MX6036	Dry Bean TRQ	5/9/06
MX6035	Weekly Highlights and Hot Bites #17	5/8/06
MX6034	Weekly Highlights and Hot Bites #16	4/28/06
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

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