



USDA Foreign Agricultural Service

# GAIN Report

Global Agriculture Information Network

Template Version 2.09

Voluntary Report - public distribution

**Date:** 5/26/2006

**GAIN Report Number:** MX6042

## Mexico

### Agricultural Situation

### Weekly Highlights and Hot Bites #20

2006

**Approved by:**

Jeffrey Nawn  
U.S. Embassy

**Prepared by:**

Valerie Brown-Jones, Gabriel Hernandez, Benjamin Juarez, Heriberto Lugo, and Richard Battaglia

---

**Report Highlights:**

- **MEXICO POSTS UNEXPECTED TRADE SURPLUS**
- **MEXICO'S BOLSA FALLS BY OVER 800 POINTS**
- **PROPOSAL TO REVOKE 20% SPECIAL TAX ON FRUCTOSE**
- **BIO-FUELS, AN ALTERNATIVE SOURCE OF ENERGY**
- **CENSUS SHOWS POPULATION GROWTH SLOWING**

---

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.**

### **MEXICO POSTS UNEXPECTED TRADE SURPLUS**

Mexico posted an unexpected trade surplus in April as exports rose, buoyed by near-record high oil prices and growing U.S. demand for Mexican-made automobiles. Exports rose by 13.9 percent to \$19.8 billion in April 2006, from \$20.9 billion in March and \$17.4 billion the same month last year, a Finance Secretariat report showed. Imports rose by 7.3 percent to \$19.3 billion. The country posted a trade surplus of \$464 million after a \$147 million deficit in March. Economists had expected a trade deficit of \$330 million, according to 14 estimates in a Bloomberg survey. "We are still seeing very strong growth compared to previous years," said David Franco, an economist who covers Mexico for JP Morgan Chase & Co. in Mexico City. "External demand continues to be a key driver in the equation," France added. Surging exports in Mexico, Latin America's second-largest economy, have raised expectations that economic growth will remain strong throughout the year, stated economist Neil Dougall of Dresdner Kleinwort Wasserstein. Mexico's economy grew 5.5 percent in the first quarter, the fastest pace in almost six years. "The underlying trend on the export side is that the same things that have helped in recent months - high oil prices and a pick-up in manufacturing exports - will continue," said Dougall. (Source: El Universal; 05/24/2006)

### **MEXICO'S BOLSA FALLS BY OVER 800 POINTS**

On May 22, 2006, Bolsa stocks fell by 4 percent and the peso lost ground as a rout in commodity prices and fears about rising U.S. interest rates shook the confidence of emerging markets investors. The IPC benchmark stock index retreated 812.85 points to close at 19,369.29 points. It was its steepest one-day drop since September 19, 2002. The peso weakened by 0.77 percent to 11.27 pesos per U.S. dollar, the lowest closing in 14 months. Stock markets around the world have fallen sharply in recent weeks, spooked by concerns that U.S. interest rate hikes could go further than previously expected and by a sell-off in record-high commodities. Latin American equities have slid from recent record highs. The IPC index has lost about 11 percent since May 10. "The critical question going forward for everyone is to what degree is this a correction or to what degree is this a change in tendency," said Felix Boni, head of analysis at Scotiabank's brokerage in Mexico City. "I would also say that we did not have that much of a rebound on Friday, May 26, 2006. That would suggest that there is something more serious going on," Boni said. (Source: El Universal; 05/23/2006)

## **PROPOSAL TO REVOKE 20% SPECIAL TAX ON FRUCTOSE**

According to a local newspaper report, President Fox sent a proposal to the Lower Chamber of the Congress to revoke the 20 percent special tax on the use of fructose in beverages. The basis for the proposal is that WTO considers the tax to be incompatible with WTO rules, and as a result, Mexico must revoke the special tax. The proposal notes that the United States could undertake retaliatory measures against Mexican products if the tax is not revoked. (Source: Universal, 05/24/06)

## **BIO-FUELS, AN ALTERNATIVE SOURCE OF ENERGY**

Due to energy uncertainties, Mexico's Ministry of Energy (SENER) is looking for alternative sources of energy, such as bio-fuels. Alejandro Dieck, Under-minister for Energy Planning and Technological Innovation, announced that SENER, along with the Ministry of Agriculture (SAGARPA), industry and agricultural workers, will carry out a field study to look into the potential output of renewable energy sources. According to Dieck, the study focus on alternatives to sugar-cane and corn based bio-fuels because, unlike Brazil and the United States, Mexico's ethanol-producing processes from these commodities are not profitable due to onerous operational costs. The announcement was made during a presentation of the Energy Information System (<http://sie.energia.gob.mx>), and the study's initial results are expected to be published by the end of August. (LA JORNADA, MAY 23)

## **CENSUS SHOWS POPULATION GROWTH SLOWING**

Mexico's population growth is slowing as birthrates continue to decline, according to the National Institute of Statistics, Geography, and Information (INEGI). According to the study, Mexico's population currently stands at 103 million, up from 97.5 million in 2000, the last time a national census was carried out. The population is 51.3 percent female and 48.7 percent male. Population growth will continue to slow as fertility rates drop, said Gilberto Calvillo Vives, the INEGI president. From 2000 to 2005, the population grew at an annual rate of 1 percent, down from the 1995-2000 period, when the annual rate stood at 1.6 percent. Mexico experienced extremely rapid population growth starting in 1940, when there were 20 million inhabitants. By 1980, the population had mushroomed to almost 70 million. The rapid demographic explosion contributed to the historic exodus of migrants, mostly to the United States. Population growth has continued, but at steadily slowing rates, in more recent decades. Calvillo Vives added that the numbers from the census still need to be further analyzed but are, "the prime materials to craft the nation's public policies." A number of trends relating to internal migration, education, and overall development of the country can be seen in the statistics compiled by INEGI. On internal migratory flows, the numbers point to the role tourism is playing in attracting inhabitants to once-sparsely populated states. The two states with the highest rates of population growth were Quintana Roo and Baja California Sur, which grew at 4.7 percent and 3.4 percent, respectively — well above the national average of 1 percent. Both states have large resorts, which attract millions of tourists annually. The average level of education was also higher in 2005, with the average Mexican having gone to school for 7.9 years, up from 7.5 in 2000. Additionally, literacy went from 95.3 percent in 2000 to 96.7 percent in 2005. In development indicators, such as homes with access to potable water, electricity, and sewage systems, there have been advances, the study shows. The percentage of the population with access to basic services went up in virtually every state, although the southern band of Chiapas, Oaxaca, and Guerrero remain behind the rest of the nation. However, demographics expert Rodolfo Cruz, a researcher for the College of the Northern Border in Tijuana, said he believes that the INEGI numbers are too low. Studies by independent research groups and

other government bodies have placed the annual population growth much higher and estimated a population at over 106 million. Factors that may have led to the lower than expected numbers, Cruz said, were international migration, mostly undocumented Mexicans who go to the United States in search of jobs, and a failure by census workers to reach some of the most marginalized regions of the country. Cruz agreed, however, that Mexico has advanced in crucial development areas such as access to basic services and education, although many rural areas still lag behind. (Source: El Universal; 05/25/2006)

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

NUMBER	TITLE	DATE
MX6043	Tomato Annual	5/30/06
MX6041	Weekly Highlights and Hot Bites #19	5/19/06
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

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)