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## Mexico

### Agricultural Situation

### Weekly Highlights and Hot Bites #25

2006

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**Report Highlights:**

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- **TABLE GRAPES TO BE EXPORTED TO CHINA AND JAPAN**
- **MEXICO'S IMPLEMENTING REGULATIONS ON BIOTECH STILL PENDING**
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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.

**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.

### **SMALL BENEFIT WITH THE FREE TRADE AGREEMENTS**

Mexico's free trade agreements with 42 countries have generated a trade deficit of \$6.0 billion according to Secretary of Economy data. Since 1994, Mexico has initiated 12 agreements to exchange products free of duties with Europe, Asia and America. The results are a surplus with the partners of the North America Free Trade Agreement, but a deficit of \$11.0 billion with the European Union. (Source: El Universal; 06/28/2006)

### **TABLE GRAPES TO BE EXPORTED TO CHINA AND JAPAN**

During Secretary of Agriculture Francisco Mayorga's visit to table grape producers in Sonora, the Director General of Agroindustrial Sonora, Carlos Baranzini, emphasized the great efforts that table grape producers have gone through to reach better competitiveness based on improved sanitary and food safety conditions. Baranzini indicated that table grape producers from Sonora are preparing themselves to make inroads in the Chinese and Japanese market during the next harvest as negotiations have advanced with phytosanitary authorities and buyers in Asia. Table grape growers produced 500,000 boxes of table grapes, raisins, and wine grapes during the 2006 cycle and about 80 percent of them went to the U.S., England and other European markets. The balance went to the domestic market. Grapes in Sonora are harvested on approximately 700 hectares. (Source: Sagarpa Bulletin No. 168/06)

### **MEXICO'S IMPLEMENTING REGULATIONS ON BIOTECH STILL PENDING**

Despite the fact that Mexico continues without any significant barriers to biotech crops or foods derived from biotechnology, the implementing regulations of the Biosafety bill still have to be published. Official sources estimated that the regulations could be published in the next few months. The main objective of the regulations is to supplement the Biosafety bill in aspects such as the authorization permits for the environmental release of genetically modified organisms (GMOs), which impact field trials, pilot programs and commercial products; the rules for the notifications of GMOs of confined use; and how the bio-safety information will be disseminated publicly through the National System of Biosafety. (Source: FAS/Mexico; 06/28/2006)

### **INCREASE IN CORN PRICE DUE TO ETHANOL FORESEEN**

In one year the international ethanol price has tripled. Therefore, market grains analysts estimate that corn prices (of which the ethanol is extracted) would continue to rise. Last Tuesday, June 20, international ethanol prices reached U.S. \$4.23 per gallon, the highest level since the Chicago Board of Trade began tracking this price in March of 2005. On the same date last year, the ethanol price was U.S. \$1.23 per gallon. Caridad Garcia-Manns, president of the Traders Group Inc., a financial company specialized in basic grains, said that the expectation of high oil prices has provoked the increase in ethanol prices. According to Garcia-Manns, the demand of livestock producers for corn, joined with the demand from companies producing ethanol, leads to the expectation of rising yellow corn prices. "Ethanol is following the price of gasoline and as it increased so did ethanol. We are seeing a ceiling of U.S. \$82 per barrel for oil and if it ascends to that level, ethanol will also continue ascending. I do not believe that ethanol price increases will impact the sugar cane price because there is not a lot of competition. But corn prices should rise because pork, cattle and poultry producers also demand this grain." As a result of the expectation of high yellow corn prices and the NAFTA opening in 2008 for this grain, Mexico corn growers are shifting their parcels of white corn for yellow corn. Tamaulipas is an example of such a shift according to Carlos Salazar-Arriaga, general secretary of Mexico's National Confederation of Agricultural Producers of Corn. The Mexican farmers, he said, are getting ready in the eventuality that United States reduces its corn exports to Mexico due to the strong domestic demand to produce ethanol and for animal feed. "In Tamaulipas, 80 percent of the land that we had for white corn, approximately 70,000 hectares, is already being shifted to produce yellow corn", he indicated. (Source: El Norte; 06/23/2006)

### **FOX PLEDGES PEACE DURING ELECTIONS**

President Vicente Fox on Monday June 26, 2006 promised that the election for his successor on July 2 will not be disturbed by any civil unrest. After Fox met with his team of security advisers, the President's office released a statement saying, "peace during the election is guaranteed." In the run up to the presidential ballot, which is the first since Mexico ended 71 years of one party rule in 2000, the nation has been shaken by an increase in drug-related violence and a wave of strikes by disgruntled miners and teachers. However, Monday's, statement said that the security advisers told the president "none of these conflicts will directly affect the elections." Felipe Calderon, from Fox's conservative National Action Party (PAN), is fighting a tight race against leftist Andres Manuel Lopez Obrador of the Democratic Revolution Party (PRD). (Source: El Universal; 06/27/2006)

### **RENEGOTIATION OF NAFTA AGRICULTURE CHAPTER WOULD AFFECT GROWERS**

Although it is "possible" to renegotiate the agricultural chapter of the NAFTA "it is not wise to do it", because it would be "very dangerous" for diverse products and regions of Mexico that have reported favorable sales toward United States like they are the cases of sugar, vegetables, fruits and meat, according to the secretary of Economy, Sergio Garcia de Alba. (Source: La Jornada; 06/25/2006)

### **CANDIDATES FOLLOW THE SAME ECONOMIC ROUTE**

Far from the political-ideological differences, surveys of the three top presidential candidates platforms find similarities in strategy and economic goals. The impulse for private investment and the recovery of country's competitiveness would be the main motors of the growth. With shades on how to do it, the economic team coordinators, Eduardo Sojo for Felipe Calderon; Rogelio Ramirez de la O for Andres Manuel Lopez-Obrador, and Jorge Chavez Presa for Roberto Madrazo, all recognized the necessity of changes in the

government's structure, the government's participation in economic activity, and in the handling of public finances. (Source: El Financiero; 06/26/2006)

### **RENEGOTIATING NAFTA IS NOT CONVENIENT: SECRETARY OF ECONOMY**

According to Sergio Garcia de Alba, Mexico's Secretary of Economy, renegotiation of the agricultural chapters of NAFTA is not advisable. Secretary Garcia de Alba spoke at the Third International Forum on Social Economy, where he declared that "the moment Mexico requests that provisions in the agreement for sensitive products such as corn, sugar and beans be revised, our trading partners will also request the revision of their affected commodities, like fruits, vegetables and meat". He further commented that the grower associations' arguments against NAFTA are not solid, and regretted that trade liberalization scenarios have been seriously "politicized" due to the upcoming elections. Regarding white corn, he stated that U.S. production represents no threat to the Mexican growers and imports are required to satisfy domestic demand. "Domestic production is strong and keeps growing, even with tariff elimination". With respect to dry beans he explained that production has not been affected by trade liberalization, but rather by the serious droughts affecting states that clearly do not have efficient production practices. Secretary Garcia added that the GOM and the state governments are working on crop conversion and infrastructure improvement. He believes however, that Mexico will succeed by identifying the agricultural commodities that represent opportunities and, "in a global, world neighborhood", complement its food stock with imported products. (Source: La Jornada; 06/22/2006)

### **SUGAR IMPORTS OF UP TO 200,000 MT COULD BE AUTHORIZED**

Enrique Michel, president of the Mexican Council for International Trade (COMCE), stated that the Ministry of Economy could authorize an emergency import of up to 200,000 MT of sugar to eliminate supply problems faced by candy and soft drink companies. Imports could be authorized two months from now, after the domestic production period is over. Candy and chocolate companies that are facing serious supply problems that would be alleviated by this action and more than 300 jobs threatened by this situation would be saved. (Source: Diario Monitor; 06/22/2006)

### **SUGAR IMPORT QUOTA DEFINED TO PREVENT SCARCITY**

Sergio Garcia de Alba, Mexico's Secretary of Economy (SE), announced today that an unilateral import quota of sugar will be authorized. The quota was set to 90,000 MT. The idea is to satisfy sugar demand in the domestic market and prevent price fluctuations. The product will have a tariff of US \$36.00 per MT and is expected to be published in Mexico's Diario Oficial (Federal Register) by mid-July, the additional quota certificates will be valid until December 31, 2006. SE announced they will keep monitoring the sugar market and additional quotas could be granted. According to the National Chamber of the Alcohol & Sugar Industries, there is a sugar deficit of nearly 600,000 MT, while sugar prices have risen 30% in the last months. This has had a negative impact on industries that use sugar as raw material or ingredient, like the soft-drink industry, that consumes around 2 million MT of sugar yearly. (Source: El Economista & Cronica; 06/27/2006)

### **GREEN FUELS, SOURCES OF ENERGY**

Elevated prices of fossil fuels have generated an unprecedented interest in bio-fuels by the futures' market. Many studies conclude that US \$45.00 per barrel of oil sets the limit over which it is more convenient to shift to the so-called "green fuels". Since current oil prices are well over that limit, it is foreseeable that a structural change in crop destination is currently under way. First, already proven ethanol sources like corn, sugar, sorghum and animal fats

are being diverted from food production to fuel generations. Second, alternative sources are sought in non-traditional energy crops, like coffee and avocados. Brazil is currently leading the way in diversifying energy generation. Futures' market teaches important lessons. This time, they are telling us to shift Mexican corn from tortillas to ethanol. (Source: El Economista; 06/ 27/2006)

#### **CALDERON & MADRAZO WOULD CONTINUE CURRENT AGRICULTURAL POLICY**

Agricultural proposals by presidential candidates Felipe Calderon (PAN) and Roberto Madrazo (PRI), clearly coincide and show that if one of them should win the election, public policy related to agriculture will concentrate on enhancing competitiveness, strengthening agricultural exports, offering legal certainty regarding land ownership and, most important, promoting rural financing. On the contrary, Andres Lopez (PRD) is concentrating his agricultural proposals to assist small-scale growers, close Mexico's borders to corn and beans and go back to "guaranteed prices" schemes for grains and oilseeds. These remarks are part of a thorough study carried out by the Inter-American Institute of Agricultural Cooperation (IICA) in order to analyze and compare proposals of the three main presidential candidates. (Source: El Financiero; 06/27/2006)

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

<b>NUMBER</b>	<b>TITLE</b>	<b>DATE</b>
MX6048	Weekly Highlights and Hot Bites #24	6/23/06
MX6047	Weekly Highlights and Hot Bites #23	6/16/06
MX6046	Asparagus Annual	6/14/06
MX6045	Weekly Highlights and Hot Bites #22	6/12/06
MX6044	Weekly Highlights and Hot Bites #21	6/2/06
MX6043	Tomato Annual	5/30/06
MX6042	Weekly Highlights and Hot Bites #20	5/30/06
MX6041	Weekly Highlights and Hot Bites #19	5/19/06

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