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## Mexico

### Agricultural Situation

### Weekly Highlights and Hot Bites #28

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**Report Highlights:**

- MEXICO TO CONDUCT SIMULATION EXERCISE FOR AI PANDEMICS
- REORGANIZATION OF THE EXPROPRIATED MILLS FUND
- MEXICO IS READY FOR FULL NAFTA IMPLEMENTATION
- MEXICO IMPORTS REPRESENT 70% OF RICE CONSUMPTION
- MINISTRY OF AGRICULTURE REPORTS INSPECTION RESULTS
- MEXICAN AGRICULTURE AT RISK
- CALDERON WILL HAVE TO NEGOTIATE FRUCTOSE-TAX ELIMINATION
- U.S. -MEXICO DISPUTE ON TUNA FISH BENEFITS MEXICAN FISHERMEN
- CALDERON FAVORS SUPPORT PLAN OVER REQUESTING NAFTA RENEGOTIATION
- WHAT DETERMINES FOOD CONSUMPTION?

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

## **MEXICO TO CONDUCT SIMULATION EXERCISE FOR AI PANDEMICS**

The Mexican government is preparing a simulation exercise for the month of August to practice reacting to an avian influenza pandemic. According to Secretariat of Health authorities, this activity will take place in the states of Chihuahua, Tabasco, Tlaxcala, and in Mexico City. All units of the National Health System will participate in this event, including; the Social Security Institute, the Secretariats of Health, Agriculture, Environment and Natural Resources, and the Department of Defense, among others. Secretary of Health, Julio Frenk, commented that Mexico is one of the few countries on earth that has stockpiled a strategic reserve of influenza vaccines, as well as retrovirus medicines. He also stated that the Secretariat of Environment strictly watches wild bird activity, while the Secretariat of Agriculture does the same with commercial poultry production operations. Mexico's National Plan for Preparedness and Response includes; epidemiological testing of animals and humans, medical care and training for medical personnel, updating hospital infrastructure, closing of schools and cancellation of major events, placing restrictions on personal and commercial movement, and the distribution of the strategic reserve vaccines. (UNIVERSAL ON LINE, JUL. 17)

## **REORGANIZATION OF THE EXPROPRIATED MILLS FUND**

The Secretary of Agriculture, Francisco Mayorga, announced that Jose Manuel Tapia, the Director of FEESA - the expropriated mills fund- will be resigning by the end of the month. This resignation is due to the fact that today FEESA is managing fewer mills, and is undergoing a complete administrative re-organization. With the imminent returning of six more sugar mills to the Santos Group, FEESA will be left with only 13 mills, down from 27 in 2001. (REFORMA, FINANCIERO, JUL. 14)

## **MEXICO IS READY FOR FULL NAFTA IMPLEMENTATION**

In 2008, Mexico will comply with the scheduled full liberalization of corn, beans, and milk powder, while the United States will open its sugar market. Kenneth Smith, of the Mexican Ministry for the Economy (SE), believes that instead of generating a negative economic impact, this liberalization will consolidate Mexico's market share in the agricultural sector. Smith stated that in the last 12 years Mexico has quadrupled exports, wages in the export sector have risen 38% more than the average, and foreign direct investment has reached the U.S. \$20 billion mark. "We believe the scheduled liberalization scheme is acceptable, after protecting sensitive commodities for the last 12 years," stated Smith. (EXCELSIOR, JUL. 17)

## **MEXICO IMPORTS REPRESENT 70% OF RICE CONSUMPTION**

Mexico's domestic rice industry is unable to satisfy the national demand, so 70% of total rice consumption is imported, mainly from the United States. According to Guillermo Orellana, director of rice company SOS, domestic production, in the form of the Morelos variety, is from the states of Campeche, Tabasco, and Veracruz. He added that per capita consumption is not high. "Mexicans annually consume roughly 5.1 kilos per capita, compared to 40 kilos per capita in Brazil." According to Orellana, national demand varies from 10 to 15 thousand MT per month, mostly from supermarkets. Consumption is differentiated regionally, with the south-central region of Mexico, where rice is used as a main dish, consuming a larger volume than the northern region, where rice is a "side-dish". (CRONICA, JUL. 17)

## **MINISTRY OF AGRICULTURE REPORTS INSPECTION RESULTS**

This week Mexico's Ministry of Agriculture (SAGARPA) announced the 2006 first semester phytosanitary inspection results. According to SAGARPA, roughly 3.3 million passengers entering Mexico by sea, air, and land were inspected, and from this, over three metric tons of products were seized for posing a threat to Mexico's agriculture. Regarding commercial inspections, SAGARPA reported that 8,350 shipments arriving to border crossings, seaports, and airports were rejected due to non-compliance to animal and plant health regulations. The report states that SAGARPA's 105 inspection offices throughout the country released 130,009 import certificates. (EL SOL DE MEXICO, JUL. 21)

## **MEXICAN AGRICULTURE AT RISK**

Mexico's National Agricultural Workers Association (CNC) believes that full liberalization of corn and beans in 2008 will intensify the "damage" NAFTA has created in the agricultural sector, citing 2.5 million lost jobs, illegal migration to the United States, and the loss of food sovereignty. Meanwhile, the Ministry of Agriculture (SAGARPA) has pointed out that 2008 will not affect self-consumption production units because they do not take part in commercial markets. On the contrary, liberalization of trade will result in a wider variety of better and cheaper agricultural inputs, thus promoting rural development. Additionally, the increased demand for ethanol and other bio-fuels will create new opportunities for farmers. Trade liberalization will also translate into benefits for the livestock industry by promoting exports and generating better paying and more secure jobs. (EL FINANCIERO, JUL. 10)

## **CALDERON WILL HAVE TO NEGOTIATE FRUCTOSE-TAX ELIMINATION**

It is clear now that the next Mexican Congress, slated to take office in September, will be responsible for complying with the WTO resolutions requiring the elimination of the 20% special tax on fructose-based beverages. Mexico has until January 31, 2007 to eliminate the tax, or commercial retaliation may be taken by the United States. Estimates show that these reprisals may be worth up to U.S. \$60 million. Due to the opposition of sugar growers' organizations and associations, this will be one of the first challenges to be faced by President-elect Felipe Calderon. (EL ECONOMISTA, JUL. 10)

## **U.S.-MEXICO DISPUTE ON TUNA FISH BENEFITS MEXICAN FISHERMEN**

A 15 years ban on Mexican tuna imports into the U.S. has helped Mexican fishermen develop the domestic market. Mexico continues to dispute the prohibition, "but it is more a matter of pride than of need," stated Luis Lopez of the National Mexican Fisheries Council (CONAPESCA). Tuna consumption in Mexico has grown at such a rate, displacing sardines in the Mexican diet, that tuna processors are now importing frozen fish to satisfy the demand. A U.S. Supreme Court resolution on the prohibition is expected in the near future, following evidence provided by Mexican fishermen that dolphins are not killed during the fishing process. (EXCELSIOR & DIARIO MONITOR, JUL. 11)

## **CALDERON FAVORS SUPPORT PLAN OVER REQUESTING NAFTA RENEGOTIATION**

Felipe Calderon, probable President-elect of Mexico, is preparing a special assistance plan for agricultural workers that might be negatively impacted when the full liberalization of beans, corn, and sugar cane takes place in 2008. This project, included in his government transition

plan, is preferred over the alternative of requesting the United States and Canada to renegotiate the trade agreement's agricultural chapters. Calderon said he is aware that in order to obtain benefits in a renegotiation, Mexico would have to yield concessions in other commodities. He also believes current opportunities for bio-fuel production provides alternatives to the corn and sugar cane industries. Calderon's program will focus on promoting and strengthening domestic growers, offer production alternatives, and promoting investment in profitable products. (LA PRENSA, JUL. 13)

#### **WHAT DETERMINES FOOD CONSUMPTION?**

One of the main challenges faced by agribusiness firms is understanding consumer behavior. Agricultural-Related Trust Funds (FIRA), an agency of Mexico's Central Bank, has begun a detailed study of food consumption variables. Regarding personal income and its impact on food expenditure, the study found that, on average, Mexicans spend 34% of their income on food and beverage consumption. Specifically, men spend 33.7%, while women spend 35.3%. Also, the inclusion of more women in the labor force has translated into an increased demand for more "practical" foods (instant soups, TV dinners, frozen food, yogurt and snacks). Eating outside is a more common practice amongst young professionals, and high-income groups are demanding more healthy foods. (EL ECONOMISTA, JUL. 14)

## REPORTS RECENTLY SUBMITTED BY FAS/MEXICO CITY

NUMBER	TITLE	DATE
MX6056	Planting Seeds Annual	7/18/06
MX6055	Weekly Highlights and Hot Bites #27	7/14/06
MX6054	Asparagus Annual	7/10/06
MX6053	Weekly Highlights and Hot Bites #26	7/07/06
MX6052	Modification to NOM-028-FITO	7/07/06
MX6051	Modification to NOM-008-FITO-1995	7/06/06
MX6050	Biotechnology Annual	7/05/06
MX6049	Weekly Highlights and Hot Bites #25	6/30/06
MX6048	Weekly Highlights and Hot Bites #24	6/23/06

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