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## Mexico

### Agricultural Situation

### Weekly Highlights and Hot Bites #29

2006

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**Report Highlights:**

- U.S. TO CONTINUE DOMINATION OF PLANTING SEED TRADE WITH MEXICO
- MEXICO'S PECAN PRODUCTION AND TRADE ON THE RISE
- WHITE CORN SHORTAGE IN MEXICO
- FARM WORKERS INSIST ON RENEGOTIATION OF NAFTA'S AGRICULTURAL CHAPTERS
- TAX EXEMPTION GENERATES DEBATE

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

## **U.S. TO CONTINUE DOMINATION OF PLANTING SEED TRADE WITH MEXICO**

Worldwide Mexican planting seed imports totaled \$372.5 million in CY 2005, down 13.6 percent from CY 2004. However, U.S. planting seed exporters captured an increased share (63.5 percent) of Mexico's seed imports, exporting \$236.6 million worth of planting seeds to Mexico. Mexico's exports of planting seeds increased by 3.8 percent from the previous year's exports, reaching U.S. \$109.5 million in CY 2005. (Source: OAA Mexico City, 18/07/06)

## **MEXICO'S PECAN PRODUCTION AND TRADE ON THE RISE**

Mexico is both a competitor and market for the United States in the pecan sector. As a leading North American pecan producer, second only to the United States, Mexico's 2007/08 production is forecast at 75,840 MT. The bulk of Mexico's exports go mainly to the United States, and just recently some small quantities went to Holland, Great Britain, France, Germany, and Israel. Although the Mexican market is supplied principally with pecans grown domestically, there are growing market opportunities for U.S. shelled pecans for snack foods or as an ingredient in the food processing industry. (Source OAA Mexico City, 07/25/06)

## **WHITE CORN SHORTAGE IN MEXICO**

The tortilla industry recently criticized the Mexican Ministry of Agriculture for creating an artificial shortage of white corn. This criticism comes after tortilla prices have risen from \$6-\$7 pesos/ kg (US\$0.54- \$0.63/Kg) to \$8-\$9 pesos/kg (US\$0.72- \$0.82). The shortage, according to the tortilla manufactures, is a result of an unfulfilled contract for 200,000 MT of white corn that the tortilla industry had with the Sinaloa corn growers – a contract that was entered into with the help and encouragement of the Mexican government. Because the June corn harvest was lower than expected, and prices higher than expected, corn farmers reneged on their agreement with the tortilla producers and sold their product on the spot market. This forced the tortilla industry to source corn inputs elsewhere at higher prices, thus causing an increase in tortilla prices. Because of the shortage of white corn in Mexico, the President of the tortilla producers association has sent a letter to the Secretary of Economy, Sergio Garcia de Alba, requesting a quota to import 100,000 tons of white corn from the United States. (Source: El Financiero, 07/26/06)

## **FARM WORKERS INSIST ON RENEGOTIATION OF NAFTA'S AGRICULTURAL CHAPTERS**

Heladio Ramirez, president of the National Farm Workers' Association (CNC), stated once again that the next Federal Administration in Mexico must commit itself to establishing a true agricultural public policy, and insist upon a renegotiation of NAFTA's agricultural chapters. Otherwise, he fears, "social tension and protests will increase around the country." Ramirez blames the state of rural Mexico on, "... NAFTA, and the erratic government strategy that has generated rural unemployment for more than 2.5 million farm workers, poor foreign investment in the rural sector, and the disappearance of agencies with a fundamental role in promoting agriculture." Ramirez also presented a recent study carried out by the CNC which revealed that while Mexican cantaloupe growers are paid \$0.80 pesos (less than U.S. \$0.07) per kilogram, they are sold in supermarkets for \$11.40 pesos (U.S. \$1.05) per kilogram. According to the study, the same price discrepancy applies to pineapple and watermelon

growers, where unnecessary intermediates, or “*coyotes*”, capture all of the profits. The problem is aggravated by allegedly illegal imports from China, Thailand, Philippines, Indonesia, Kenya, Costa Rica, and Brazil, which are imported via the United States. (LA PRENSA & LA JORNADA, JUL. 24)

### TAX EXEMPTION GENERATES DEBATE

The recently announced tax-exempt status of a number of imported food products has generated a great deal of debate amongst industry members. Importers support the idea and believe that tax-free imports will translate into benefits to final consumers, while domestic growers foresee a negative impact.

Last Thursday, the Mexican government announced that some nectars, fruit and vegetable concentrates, dairy beverages, and lactose preparations (i.e. drinkable yogurts), and un-carbonated water bottled in containers of 10 liters or less, can be imported with a VAT rate of zero. Members of the food and beverage processing industry believe this decision will positively impact the industry, providing greater opportunities to compete and introduce new products to the Mexican market. Producers, on the other hand, are concerned that their products may be displaced by imports. Fruit juice imports accounted for almost U.S. \$16 million in the Jan-May '06 period. (REFORMA, JUL 26)

### REPORTS RECENTLY SUBMITTED BY FAS/MEXICO CITY

NUMBER	TITLE	DATE
MX6060	Mexico, NAFTA, and Agriculture	7/27/06
MX6059	FAIRS Country Report	7/27/06
MX6058	Mexico Publishes the List of Authorized Additives for Food and Beverages	7/21/06
MX6057	Weekly Highlights and Hot Bites #28	7/21/06
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

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