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Weekly Highlights and Hot Bites #39

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Report Highlights:

- **PRODUCERS RECONVERTING GRAPE ORCHARDS**
- **PRIVATE SECTOR AND GOVERNMENT AGREE ON BASE PRICE FOR SUGAR**
- **MEXICAN VEGETABLES CONTAMINATED AFTER ENTRANCE INTO U.S.**
- **PARTIAL REOPENING TO U.S. LETTUCE IMPORTS**
- **MEXICO RESUMES IMPORTS OF U.S. DAIRY HEIFERS**
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- **RECALL OF U.S. LETTUCE IN MEXICO'S MARKETS**

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.

PRODUCERS RECONVERTING GRAPE ORCHARDS

Grape growers in Zacatecas have broken their forward contracts with Pedro Domecq, a local winery. Because of the low prices for industrial use grapes, they are now in the process of reconverting their orchards to produce red globe table grapes for the domestic market. Industrial use grapes can be bought on the spot market for as low as \$0.80 pesos/kg (US\$0.07/kg). Zacatecas farmers expect to sell table grapes for as much as \$12 pesos/kg (US\$1.09/kg). About 300 small producers have received support from the government to reconvert their orchards. Federal funds are also being used to construct a 500-ton capacity storage warehouse. The intent of the Zacatecas farmers is to supply table grapes to the nearby local market, and eventually to ship their product throughout the entire country. (Source: Financiero 09/18/06)

PRIVATE SECTOR AND GOVERNMENT AGREE ON BASE PRICE FOR SUGAR

Representatives of sugar producers, traders, and consumers met last week in order to agree upon the base price, and amount, of sugar that will be put on the domestic market this year. Sugar end user industries, the sugar mill owners, and the government agreed on this base price for sugar in order to control sugar prices, which have risen recently due to a shortage of sugar on the market. Participating parties agreed that standard sugar prices will not rise above \$370 pesos/50 kg bag, and refined sugar will not rise above \$395 pesos/50 kg bag (standard \$33.63/bag - refined US\$35.90/bag). The President of the Domestic Trade board of the Confederation of Industrial Chambers, and also a chocolate manufacturer, Raul Picard, indicated that interested parties met at the Secretariat of Economy (SE) and agreed that the mills and wholesalers would sell sugar to the end users in quantities and prices adequate to the requirements of these sectors. The Secretary of Economy warned that if this measure does not effectively control sugar prices within two weeks, SE will allow more sugar to be imported under quotas until the next sugar harvest season. At the end of last week sugar prices were about \$410 pesos/bag for standard, and \$487 pesos/bag for refined (\$37.27/bag for standard - \$44.27/bag for refined). (Source: Financiero, Excelsior, Reforma 10/12/06)

MEXICAN VEGETABLES CONTAMINATED AFTER ENTRANCE INTO U.S.

An investigator with the Emory University School of Public Health in Atlanta, Juan Leon, stated that Mexican agricultural products that are exported to United States leave the country clean, but are often exposed to E-coli in the U.S. during the packaging process. Leon's study revealed that produce handlers at packaging facilities in the U.S. often handle the produce in an unsanitary manner, thus spreading E-coli contamination. For confidentiality reasons, the Emory University investigator declined to give details about which Mexican exporters, as well as which U.S. packers, were monitored in his study. (Source: Reforma; 10/11/2006)

PARTIAL REOPENING TO U.S. LETTUCE IMPORTS

Mexico's sanitary and agricultural authorities agreed to partially reopen the border to U.S. lettuce. The recently imposed lettuce import restriction will remain in place only for the state of California. The Health Secretariat stated that after evaluating the available information regarding the possible U.S. lettuce contamination, it was determined that the sanitary risk corresponds only to those products coming from California's Salinas Valley. (Source: Reforma & El Universal; 10/11/2006)

MEXICO RESUMES IMPORTS OF U.S. DAIRY HEIFERS

This past week Mexico announced that it will now allow for the importation of U.S. dairy heifers under 24 month of age. This change in import policy comes nearly three years after BSE was discovered in a single cow in the U.S. Ernesto Larrondo, Secretary of the National Association of Dairy Cattle (Anclac), stated that the opening was well received by the dairy cattle breeders in Mexico. Larrondo also stated that since the border closing in 2003, Mexico has been forced to import dairy heifers from New Zealand. At the same time, Juan Arizmendi, president of the dairy cattle producers at the Farmers National Confederation (CNC), agreed that the news is well received since the population of dairy cattle in Mexico has dropped by nearly 50 percent since the U.S. border closing, thus making it harder for Mexican dairies to compete with U.S. dairy imports. (Source: Reforma; 10/11/2006)

RECALL OF U.S. CANNED CARROT JUICE

Last week, Mexico's Secretariat of Health (SSA) requested that the National Association of Department and Self Service Stores (ANTAD) pull all U.S. spinach from store shelves due to the reported E.coli O157:H7 contamination (see MX6082). Today, SSA requested that stores recall U.S. canned carrot juice. The recall was ordered after FDA reported four cases of botulism in the United States, following the consumption of such products. The affected commercial brands are 1 liter and 450 millimeter packages of Bolthouse Farms 100% Carrot Juice, Earthbound Farm Organic Carrot Juice, and President's Choice Organics 100% Pure Carrot Juice. Botulism is a disease caused by the bacillus clostridium botulium, which has a neurotoxin powerful enough to cause death, even when consumed in low doses. (Source: Reforma; 10/03/2006)

SUGARCANE UNION FEARS IMPORTS WILL CAUSE DOMESTIC MILLS TO CLOSE

The entry of sugar imports under the tariff rate quota into Mexico could pose a risk to the domestic sugar industry, warned sugar mill union leaders and cane producers. To allow the entry of 270,000 Mt of sugar into the country could lead to the closing of some sugar mills, mainly those that produce between 50,000 and 60,000 MT of sugar per cycle. Carlos Blackaller, leader of the Sugarcane Workers Union, said that the increase in the TRQ reflects a lack of planning on behalf of the Federal Government, and that there is a risk that the government could lose control of imports due to customs inefficiencies. (Financiero, Reforma 10/04/06)

MEXICANS EMIGRATE FOR HABIT, NOT FOR POVERTY

According to Secretary of Agriculture Francisco Javier Mayorga, immigration to the United States is not due to poverty in Mexico, but rather is a force of "habit". The Secretary's comments, made during a speech in Puebla, are contrary to popular thinking about the root causes of migration. Mayorga did recognize that the lack of jobs in the countryside is a contributing factor. However, rather than leave the country, he suggested that farmers should look for employment in other sectors of the domestic economy. (Source: El Sol de Mexico; 10/10/2006)

RECALL OF U.S. LETTUCE IN MEXICO'S MARKETS

The Federal Commission for the Protection Against Sanitary Risks (COFEPRIS) announced that it is recalling U.S. endive lettuce due to the possibility that it could be contaminated with the E-Coil bacteria. COFEPRIS issued a warning to consumers to abstain from buying and consuming lettuce packed in the United States. COFEPRIS added that domestically produced and packaged lettuce does not pose a health risk, and is recommended for consumption. (Source: Reforma and El Financiero; 10/10/2006)

REPORTS RECENTLY SUBMITTED BY FAS/MEXICO CITY

NUMBER	TITLE	DATE
MX6083	Weekly Highlights and Hot Bites #38	10/2/06
MX6082	Weekly Highlights and Hot Bites #37	9/25/06
MX6081	Sugar TRQ amounts imported from CR and Nicaragua	9/22/06
MX6080	Mexico Grants Nicaragua a Sugar TYQ	9/19/06
MX6079	Weekly Highlights and Hot Bites #36	9/18/06
MX6078	Mexico Announces Temporary Retaliatory Tariff in Response to the Byrd Amendment	9/13/06
MX6077	Mexico announces a duty free sugar TRQ from the U.S	9/12/06
MX6076	Mexico Announces Final Resolution to U.S. Rice Antidumping Investigation	9/12/06

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