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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.

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CALDERON ADMINISTRATION PRESENTS 2007 TAXATION PROPOSAL

Increased taxation and fewer tax deductions are the principal characteristics of the Calderon administration's tax proposal to Congress. The proposed changes include the revision of the tax on soft-drinks, to include all soda, not just those made with HFCS; a reduction in the exemptions on the rent tax for livestock producers; and a .15 peso per gram tax on tobacco products. (Source: Reforma; 12/06/2006)

TRADITIONAL CORN PRESENT IN PROPOSED TRANSGENIC CORN TEST AREAS

A report by the National Ecology Institute (INE) stated that there are varieties of traditional corn found throughout the entire country, even in the experimental fields of the National Institute of Forest, Agricultural and Livestock Investigations (INIFAP), where multi-national corporations hope to conduct experiments with transgenic corn. This finding contradicts the position of INIFAP, and of the General Directorate of Impact and Environmental Risk (DGIRA) of the Secretariat of Environment and Natural Resources, who have stated that INIFAP sites are not, in fact, home to native corn species. (Source: La Jornada; 12/06/2006)

THE GOM GETS READY FOR NAFTA OPENING

The Government of Mexico (GOM) reported that it will devote 4.8 billion pesos (roughly U.S. \$436 million) to activities aimed at easing the transition for farmers facing the 2008 NAFTA full implementation. These resources are part of a plan to elevate competitiveness in the agricultural sector, and represent 74 percent of the value of corn imports. In 2006 Mexico imported 5.2 MMT of corn, with a value of 6 billion pesos (U.S. \$545.4), and 122,000 MT of dry beans, with a value of 7 million pesos (U.S. \$636,360). (Source: Reforma; 12/06/2006)

AGRICULTURAL SECTOR ASKS, "WHAT IS THIS ALL ABOUT"?

Representatives from the agricultural sector registered their disappointment at Calderon's 2007 Federal Budget proposal. "What is this is all about, I think they are not being congruent," stated Agricultural & Livestock National Council (CNA) president Jaime Yesaki. The 2007 Fiscal Budget includes a reduction in the exemption of the Rent Tax (ISR in Spanish *Impuesto Sobre la Renta*) for livestock producers and farmers, and an actual

increase in the ISR from 16 to 22 percent. In the same vein, Fermin Montes, president of the Mexican Association of Rural Development Secretaries said, "I'm carrying three handkerchiefs with me, because I'm crying and do not know what to do." (Source: Reforma; 11/07/2006)

FOX ADMINISTRATION ACCUSED OF ALLOWING IMPORTATION OF TRANSGENIC RICE

The National Federation of Rice Producers (FENAPROZ) denounced the government of Vicente Fox for allowing the illegal import of 100,000 tons of transgenic rice from the United States. The group claims that the Mexican population is currently consuming the rice, with no regard as to whether there is an impact on human health. Pedro Diaz Hart, President of FENAPROZ, has demanded that the National Service of Health and Food Safety and Food Quality (SENASICA) and the Federal Commission for the prevention of Health Risks (COFEPRIS) perform an analysis of the grains that comes into Mexico, principally through the ports of Veracruz and Ciudad Juarez, in order to find out if the rice is genetically modified. (Source: La Jornada, 12/07/06)

TRANSGENIC - CORN FIELD TRIALS HALTED

Despite the publication of the special corn protection régime, the applications for transgenic corn experiment permits were not approved by SAGARPA. Authorities within the Fox administration had committed to signing the permits before December 1, but due to last hour changes, the final decision was put in hands of the new Agriculture Secretary who took office on December 1. According to Eduardo Perez-Pico, Monsanto's Director of Development Technologies, "All the legal conditions are already covered; what is lacking is that the GOM issue the permits to begin working." (Source: El Financiero; 12/08/2006)

FARMERS INSIST ON REVISING NAFTA

For domestic growers, an increase in corn prices is good news. However, farmers recognize that the 2008 market opening of NAFTA is coming soon. Efrain Gracia-Bello, president of the National Confederation of Corn Growers, stated the increase in grain prices will enable expanded planted area and increased yield. "However, that does not mean that we are prepared for the market opening," he stressed. Ramon Barajas, PRI congressman and the leader of the National Farmers Council (CNC) in Sinaloa, noted that the opening would also imply the end of the Countryside Direct Supports Program – PROCAMPO. (Source: Reforma; 12/08/2006)

REPORTS RECENTLY SUBMITTED BY FAS/MEXICO CITY

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MX6102	Weekly Highlights and Hot Bites #45	12/04/06
MX6101	Avocado Annual	11/30/06
MX6100	Weekly Highlights and Hot Bites #44	11/27/06
MX6099	Mexico Establishes 2006 Additional Out-of-Quota Milk Powder Imports	11/24/06
MX6098	Citrus Annual	11/15/06
MX6097	New Requirements for The Import of Wines and Liquors	11/15/06
MX6096	Auction of Permits to Import Dairy Preparations Set for December 2006	11/14/06
MX6095	Mexico Authorized More Crossing Points for Specific Products	11/08/06
MX6094	Final Dumping Duties for Red & Golden Delicious	11/06/06
MX6093	Weekly Highlights and Hot Bites #42	11/04/06
MX6092	Dairy Annual	11/01/06

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