



USDA Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Template Version 2.09

Voluntary Report - public distribution

Date: 9/28/2007

GAIN Report Number: MX7068

Mexico

Agricultural Situation

Weekly Highlights and Hot Bites #28

2007

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Report Highlights:

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- **POSITIVE BALANCE TO THE MEXICAN AGRICULTURAL SECTOR**
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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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TURKEY PRICES AFFECTED BY PRODUCTION PRICE INCREASE

The turkey industry is trying to avoid an increase of nearly 20 percent in production costs. Marco Parson, President of the National Turkey Producers Section of the Poultry Producers Association, indicated that although they are looking for ways to minimize the impact to consumers, it would be impossible to avoid an increase in grain prices, which represents nearly 60 percent of production costs. As a result, the turkey industry is trying to obtain domestic corn versus imported corn, which has resulted in savings of nearly 25 percent in the transportation costs. The industry is focusing on production efficiency, and they are implementing campaigns to increase per capita consumption. Despite some input price increases, turkey meat prices remain stable at \$35 to \$40 peso/kg (U.S. \$3.18 to \$3.63/kg). (Source: Excelsior 09/27/07)

THE 2007-2012 NATIONAL LIVESTOCK PROGRAM ANNOUNCED

The Secretary of Agriculture (SAGARPA), Alberto Cardenas, announced the 2007-2012 National Livestock Program that will consolidate the sector during President Calderon's administration. The program will integrate the necessary actions to strengthen the work of the livestock sector and increase consumption for different products. Cardenas also added that SAGARPA will invest approximately U.S. \$727 million for price support programs, forward contract purchases, and encourage production within the PROGAN program. (Source: Reforma 09/25/07 and SAGARPA Bulletin 9/22/07)

POSITIVE BALANCE TO THE MEXICAN AGRICULTURAL SECTOR

Alberto Cardenas, Secretary of Agriculture, denied that the increase in the gasoline prices would cause a price escalate thereby negatively impacting the Mexican countryside. Cardenas assured that the recently passed fiscal reform would benefit investments in water, infrastructure, and roads. "The fiscal reform allows for more resources for the GOM to invest in the Mexican countryside," stated Cardenas. With changes in the taxation framework, the budget for the countryside would be more than U.S. \$ 5.2 billion, allowing Mexico to be in a better position for the complete opening of NAFTA. (Source: El Financiero; 09/17/2007)

PRICE INCREASE FOR BASIC PRODUCTS TO BE EXPECTED

Jaime Yesaki, President of the National Agricultural Council, indicated that as a consequence of fiscal reform and high international prices, the recent increase of \$0.30 cents (U.S. \$0.027) for bread by the piece (bolillo) is just the beginning of a series of increases upcoming for basic products. Price increases are to be expected in poultry meat, eggs, turkey, pork, and beef meat. This is just another reason why many agricultural industries in Mexico are calling for the federal government to be more vigilant with prices so that sellers do not increase prices more than necessary. (Source: Excelsior; 09/21/07)

IF BIO-TECHNOLOGY IS CONSTRAINED, MEXICAN AGRICULTURE WILL BE NEGATIVELY AFFECTED

More than 25 million people related to the agricultural sector in Mexico will be negatively affected if bio-technology is "banned" from Mexico, according to Manuel Molano, consultant of the Mexican Institute for Competitiveness (IMCO). "Bio-technology is not evil and will not stop with just the indigenous varieties of corn," Molano stated. If restricted, however, Mexico will miss the opportunity to increase crop yields that would allow Mexican farmers to compete in global markets. Other countries currently fostering and using bio-technology have reached yields of up to 14 MT per hectare, while Mexico's average yield is only 3 MT per hectare. Molano explained that if not enough corn is produced and imports are banned, it is "ludicrous" not to expect corn, meat, tortilla and egg prices to go up. He stated that bio-technology will provide the necessary tools to enhance competitiveness, improve production, and increase welfare in the agricultural sector. (Source: El Financiero; 09/17/07)

MEXICO'S NATIONAL UNIVERSITY WILL SUPERVISE TRANSGENIC TRADE

Through its Food Program (PUAL), the Mexican National Autonomous University (UNAM) will be in charge of supervising the flow of transgenic products into Mexico after winning the bid launched by the Mexican Commission for Protection against Sanitary Risks (COFEPRIS). The project will concentrate on corn, and the PUAL staff will analyze samples of imported corn in order to catalogue and track products coming into Mexico. Currently, 17 varieties of transgenic corn have been approved for import. The project also includes training COFEPRIS staff to carry on the analysis in the near future. (Source: La Jornada; 09/18/07)

WHEAT TO BE IMPORTED TO COUNTERACT THE INCREASE IN BREAD PRICES

According to Jose Saenz, Director of Basic Industries in the Ministry of Economy (SE), the GOM has authorized a global wheat import quota, which could be close to a million MT, in order to counteract the recent increase in bread prices. The program has been designed to stabilize prices and is very similar to the tortilla agreement applied earlier this year. Saenz explained that Mexico's wheat deficit accounts for almost three million MT, mostly covered by U.S. and Canadian imports. (Source: Ovaciones; 09/20/07)

UPCOMING U.S. – MEXICO FOOD PRODUCERS MEETING

In order to address NAFTA's full implementation in 2008, Mexico's National Agricultural Council (CNA) will host the U.S.-Mexico Food Producers Meeting. The United States will be represented by the American Farm Bureau Federation, led by Bob Stallman. The discussions will concentrate on how corn, beans, sugar and powdered milk will be traded starting 2008 as well as how high prices and ethanol are affecting these sensitive commodities. (Source: El Financiero; 9/20/07)

REPORTS RECENTLY SUBMITTED BY FAS/MEXICO CITY

NUMBER	TITLE	DATE
MX7065	Additional Identification Requirements for Specific Agricultural Commodities	9/17/07
MX7063	Authorized Crossing Border Points for Specific Agricultural Commodities	9/11/07
MX7062	Weekly Highlights and Hot Bites #27	9/7/07
MX7061	Tree Nut Annual 2007	8/29/07
MX7060	Weekly Highlights and Hot Bites #26	8/24/07
MX7059	NAFTA Milk Powder TRQ	8/17/07
MX7058	WTO Milk Powder TRQ	8/17/07
MX7057	Weekly Highlights and Hot Bites #25	8/17/07
MX7056	Weekly Highlights and Hot Bites #24	8/10/07
MX7055	Weekly Highlights and Hot Bites #23	8/3/07
MX7054	Mexico Country Fairs Report Annual 2007	7/30/07
MX7053	Weekly Highlights and Hot Bites #22	7/30/07
MX7052	Weekly Highlights and Hot Bites #21	7/20/07
MX7051	Planting Seeds Annual Report	7/18/07
MX7050	New Duties for Imported Apples from Non-NFE Companies	7/15/07
MX7049	Biotechnology Annual	7/15/07
MX7048	Planting Seeds Annual Report	7/18/07
MX7047	Weekly Highlights and Hot Bites #20	6/22/07
MX7046	Mexico Announces the 2007-2012 National Program for Development	6/20/07
MX7045	Weekly Highlights and Hot Bites #19	6/15/07
MX7044	Mexico Announces 1 Percent Over-Quota Tariff For Yellow Corn For Remainder of 2007	6/15/07
MX7043	Weekly Highlights and Hot Bites #18	6/08/07
MX7042	Bio-fuels Annual	6/8/07

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