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Unscheduled Report
Mexico [MX1]
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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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MEXICO TO REQUEST WTO COMPENSATION FOR U.S. SUBSIDIES

Francisco Lopez, Mexico's Under-Secretary of Agriculture, warned the U.S. delegation that participated in the Consultative Committee on Agriculture (CCA) meetings last week that Mexico could appeal to the WTO to demand compensatory tariffs if "distorting production subsidies" continue to be applied by the United States. Lopez also expressed his concerns on the future Farm Bill and the impact of US\$ 280 billion that would be distributed the next five years. The CCA is a bilateral communication channel in which several government agencies collaborate in order to strengthen the agricultural trade relationship between Mexico and the United States. (Source: LA PRENSA, 1/12/08)

AGRICULTURAL WORKERS' ASSOCIATIONS SPLIT ON NAFTA

Half of the agricultural workers' associations that participated in the Mexican Permanent Agricultural Council (CAP) gave a vote of confidence to Secretary of Agriculture Alberto Cardenas and disqualified the protest activities suggested by the rest of the associations against NAFTA's full implementation. They also considered a renegotiation of the trade agreement is a worthless solution. "NAFTA is not responsible for the current rural conditions. It is part of the indifference accumulated, along with the fact that we didn't do our homework," stated Ignacio Irys, leader of one of the associations. The organizations believe the real change will come when a series of policy reforms are carried out: establishing regional development strategies, promoting the use of improved seeds and fertilizers, enhancing the commercialization process, improving storage and distribution infrastructures, providing financial resources for credit, and encouraging the use of new technologies. The associations also announced a series of meetings in order to define new agricultural policy proposals to be submitted to the GOM. (Source: EL SOL DE MEXICO, 1/12/08)

AGRICULTURAL LIBERALIZATION WILL STABILIZE MEAT PRICES

Raul de la Paz, President of the Mexican Meat Council (COMECARNE), announced that without tariff-free yellow corn imports, meat prices in Mexico would go up. "NAFTA is completely favorable, and thanks to the trade liberalization, we're able to keep competitive meat prices," said de la Paz. Mexico has a deficit of yellow corn production, and now meat producers are able to import the grain tariff-free. The domestic meat supply is also insufficient, so free trade once again benefits the consumer. (Source: EL UNIVERSAL, 1/12/08)

MEXICAN PRODUCTS ARE OPEN TO THE U.S. MARKET: CARDENAS

During a meeting with several private sector leaders, Secretary of Agriculture, Alberto Cardenas, commented on the U.S. market access opportunities created by NAFTA. Since January 1, the United States has allowed tariff-free imports of: orange juice, asparagus, celery, cantaloupes, peanuts, garlic and powdered onions. Cardenas has defended NAFTA and is currently being criticized by agricultural organizations that claim free trade has a negative impact on the Mexican economy. He also commented that since 2003, more than 400 products like poultry, pork, wheat, barley, rice, pears and soy have been gradually liberalized and there has been no evidence of a negative impact. (Source: EL FINANCIERO, 1/14/08)

PRODUCERS FORECAST CORN SHORTAGES

Rather than a much-feared U.S. corn imports “downpour”, Mexican corn growers recently warned of a potential shortage of inputs for the feeding industry. As a result, the Mexican Confederation of Corn Growers (CNPAM) has requested to work with the GOM and their U.S. counterparts in order to assist Mexico to reach one million hectares of corn plantations in the next two years. Carlos Salazar, Secretary General of CNPAM, explained that the current ethanol frenzy, and the international grain price surge, represents an opportunity to “order” the markets. At the same time, there should be recognition of the U.S. dominance in yellow corn production and Mexico’s preeminence in white corn production. (Source: MILENIO, 1/15/08)

MEXICO TAKES ADVANTAGE OF TRANS-BORDER TRUCK AGREEMENT

Mexican transportation companies have taken advantage of the pilot stage of the Cross Border Truck Safety Inspection Program. According to the Mexican Ministry of Transportation, 83 companies have signed up for the Program, out of which 72 have been inspected and approved, and 13 are already operating in the United States with 58 trucks. Meanwhile, 22 U.S. trucking companies have registered, seven have been inspected and approved, and five are operating in Mexico with 45 units. Almost 2,000 “crossings” have been registered during the four month period since the pilot program started. Authorities will meet next September to evaluate the one year test program and determine whether the program will be cancelled or continued. The GOM is optimistic on continuing the program. (Source: REFORMA, 1/15/08)

THE CHALLENGE: IMPROVE CROP YIELDS

The GOM is targeting the improvement of crop yields to face trade liberalization of sensitive commodities. In the case of corn, the Mexican Ministry of Agriculture intends to increase yields from 2.8 to 5 MT per hectare in the next four years, and expects to produce 30 million MT in 2012. With beans, the situation is complicated; not only must yields be increased from 1.22 to 2.8 MT per hectare, but a strategy must be defined to reverse the drop in bean consumption, currently at 11.9 kilos per capita. For sugar production, the target is to expand from 73.9 to 80 MT per hectare by 2012. (Source: EL ECONOMISTA, 1/17/08)

LAWMAKERS INSIST NAFTA CAN BE RENEGOTIATED

The Agriculture and Livestock Committee in the Lower House maintains the agricultural chapter of the North American Free Trade Agreement (NAFTA) can be renegotiated. Therefore, lawmakers will ask the Secretaries of Agriculture, Alberto Cardenas, and Economy, Eduardo Sojo, to appear before the Committee. According to the President of this Legislative Committee, Hector Padilla (member of the PRI party), all agreements are

renegotiable, and NAFTA is simply a commercial contract that can be renegotiated. "In fact, the most common contract is marriage, and it is renegotiated every day in different terms," stated Padilla. Padilla also referred to the food shortage and stated the GOM doesn't have control of the situation. He believes an increase in prices could happen at any moment, just like it happened with tortillas, milk, sugar, bread, eggs and meat products. Regarding the negative impacts of NAFTA, Padilla highlighted the disastrous results for the rural community that has occurred over the past 14 years in the agricultural sector. (Source: El Universal; 01/17/2008)

BISHOPS ASK TO RENEGOTIATE THE NAFTA AGRICULTURAL CHAPTER

The Episcopal Commission of the Mexican Bishop Conference (CEM) asked the GOM to renegotiate the agricultural chapter of the North American Free Trade Agreement (NAFTA). They argued that NAFTA's full implementation is harming the fundamental rights of the poor and has worsened their situation. The CEM stated the people in this sector could be forced to sow illicit products and be devoted to a life of crime. The bishops sustained that the total trade opening would only benefit a few powerful farmers, but it would bring painful consequences for those who depend on the countryside. "Consequently, these farmers will never be able to compete with the enormous subsidies that the United States and the Canadian governments grant to their farmers," stated the bishops. "The real risk of increased impoverishment exists, especially in the rural and indigenous areas, and it will push many farmers to abandon the countryside and migrate to cities that are not prepared to receive them," said the CEM. The bishops summoned Mexico's population to support farmers, and they requested a national debate to discuss the issue. (Source: El Universal; 01/14/2008)

FARMER ORGANIZATIONS PREPARE FOR DEMONSTRATIONS AGAINST NAFTA

Leaders of several farmer organizations, such as Max Correa from the Central Cardenista Farmers Association (CCC) and the National Farmers Confederation (CNC), met last week to finalize details for the next demonstration that will take place on January 31. The groups will demand the renegotiation of NAFTA, and request the government change the agricultural sector. The groups agreed to have different action committees and consolidate alliances with other organizations, like the National Workers Union, representatives from different churches, governors, and federal legislators. Correa indicated they will continue fighting for the renegotiation of NAFTA contrary to the declaration of the Secretary of Agriculture. Correa insisted they desire: a strategic grain reserve, a plan against hunger, an employment program in the country side and an emerging food plan for corn, beans, milk, and sugar. (Source: La Jornada 01/18/08)

A NEW RURAL AGREEMENT

According to Jose Luis Gonzalez-Aguilera, Coordinator of the Permanent Agrarian Congress (CAP), President Felipe Calderon will initiate a new pact with the rural organizations that will allow farmers to participate in public policy discussions. He declared it after a meeting with President Calderon. The agreement gives special attention to the agricultural federal budget and commercial strategies to benefit the poor. Gonzalez-Aguilera affirmed that Calderon insisted that "we should make a new rural pact and a new social agreement that allows rural organizations to be a fundamental part of the public policies." Gonzalez-Aguilera also said the President wanted the farmers to be direct participants and not just merely spectators during the public policy planning. (Source: Excelsior; 01/18/2008)

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