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Report Highlights:

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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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RURAL ORGANIZATIONS WILL INCREASE THE PRESSURE

Rural and worker organizations deemed 'successful' the day of mobilizations around the country that culminated with a meeting in the main square of Mexico City (the "Zocalo"). They wrapped up with a pact to press the GOM for an immediate renegotiation of the agricultural chapter of the North America Free Trade Agreement (NAFTA) in defense of food sovereignty and against energy reform. Before thousands of people that arrived at the "Zocalo", leaders such as Cruz Lopez, of the National Farmers Confederation (CNC); Max Correa, of the Cardenista Rural Union (CCC); Artemio Ortiz, of the National Coordinator of Education Workers (CNTE), and Martin Ortiz, of the Mexican Union of Electricians (SME), pointed out that they will strengthen unity to promote a change in the economic and social policies of the country. According to organizers there were more than 200 thousand demonstrators that arrived to the Zocalo, where they insisted upon the Secretary of Agriculture's resignation. At the same time, growers from Sinaloa, Durango, Nuevo Leon, Guerrero, Veracruz and Zacatecas took the regional facilities of the Secretariat of Agriculture (SAGARPA). In Chiapas, Sonora and Jalisco the protests were carried out in their main public squares. More than 2,000 protestors in Durango and Coahuila affiliated with the Regional Front for the Defense of the Countryside had a demonstration in Lerdo, Durango. Milkmen, cotton, melon and coarse grain growers demanded through banners, screams and a petition, the improvement of their labor conditions. In Nuevo Leon, more than 1,000 farmers from 20 rural counties blocked access to the SAGARPA delegation's facilities. In Zacatecas, farmers protested in front of the SAGARPA office and blocked one of the streets by burning tires. In Morelos, about 300 famers protested at the SAGARPA facility. In Sinaloa, 500 growers ridiculed Agriculture Secretary Alberto Cardenas with a puppet mounted on a donkey. In response, the Secretariats of Economy, Agriculture and Labor, issued a combined official statement in which they informed that President Felipe Calderon had instructed that the respective secretaries of these ministries, Eduardo Sojo, Alberto Cardenas and Javier Lozano, "approach in a punctual manner the demands coming from these organizations and define a timeline for that." On Wednesday February 6, 2008 the secretaries will have a meeting with the rural organizations in the Labor Secretariat's facilities to discuss the topics that were agreed upon in a meeting last January 24. On February 16, the Secretaries will then meet with the collegiate presidents of the National Union Workers (UNT), Valdemar Gutierrez, Francisco Hernandez-Juarez and Agustin Rodriguez. The objective of this meeting is to recapture diverse points that were identified in the labor agenda during a meeting held on January 31 in the Labor Secretariat. On the other hand, the leaders of the rural, popular organizations and unions announced that they will take the headquarters of the Lower House next February 7, to demand the NAFTA's renegotiation. (Source: El Universal; 02/01/2008)

CARDENAS ASSURES THAT REDUCED IMPORTS IMPLY PRICE INCREASES

The Secretary of Agriculture, Alberto Cardenas, assured that to pay attention to the demands of the organizations that are opposing NAFTA and that are asking to reduce basic grains imports would unleash price increases. "A supposition: if it was said we will import less corn, to stop importing three or four tons of corn and not let us import neither milk nor meat to protect our producers, what would happen immediately?", the Secretary asked. "We would have an increase in prices in a very important manner", he responded to himself during a press conference. What he considers could be done to face the NAFTA agricultural opening is to encourage the production of the most profitable products in agriculture, and to make production more efficient using technology. (Source: Reforma; 01/27/2008)

MEXICO A NET IMPORTER OF GRAINS SINCE 1974

The import of basic grains is not the result of the negotiation of the NAFTA agricultural chapter but insufficient domestic production. The Private Sector Economic Studies Center (CEESP by its Spanish acronym) added that from now on agricultural trade between the NAFTA partners is completely open including the most sensitive products for Mexico: corn, beans, milk and sugar, and that the total opening would bring important changes and adjustments that should be reflected in the production and trade interchange. Moreover, the CEESP study states that Mexico's dependency on imported basic grains is not a result of the trade agreement because Mexico has been a net importer of those products since 1974. CEESP indicates that since 1994 —the year of the NAFTA implementation— the evolution of the domestic production of grains, fruits and vegetables has been positive, yet the growth of grains has not been as fast as in the other two segments. CEESP outlines that there exists certain sub-sectors (within the fruit and vegetables sector) that have obtained substantial benefits as a result of the enforcement of the trilateral agreement; one of them is the export of fruits and vegetables. Mexican fruits and vegetables hold 23 percent of U.S. market share of those products. These numbers reveal the high level of commercial integration between the markets of Mexico and its two NAFTA partners. (Source: El Financiero; 01/29/2008)

ETHANOL PRODUCTION REQUIRES CLEAR GOALS

The General Director of the sugar mill "La Gloria", Carlos Seoane, indicated that Mexico requires the creation of a national program with objectives and clear goals to develop and commercialize ethanol production from sugarcane. He stated that the lack of public policies to take advantage of the diverse products that can be generated from sugarcane make the sugar industry a business that is not altogether profitable before a globalized world or even within the NAFTA framework. Seoane considers it necessary that the federal government speed up the legal framework that would allow the industry not only to focus on sugar production, but to use sugarcane to produce biofuels and generate electric energy. La Gloria, for example, produces 180,000 tons of sugar per cycle, 120,000 liters a day of different types of alcohol, including 40,000 of fuel ethanol, and 12 megawatts of electric energy, so that the mill does not use fossil-fuel energy. As of now, ethanol production is at a standstill as there are no conditions for PEMEX (the Mexican oil parastatal) to receive it to be used with gasoline. However, the main sugar groups in the country already have \$500 million dollars prepared to invest in plants to produce ethanol, and that projects are planned to begin over the next four years, as soon as there is more clarity on the Biofuels Law. (Source: Excelsior, Financiero, Universal 1/28/08)

PORK PRODUCERS DEMAND SAFEGUARDS

Pork producers from the states of Michoacán, Queretaro and Jalisco have demanded that the federal government enforce safeguards and close the borders to imports of pork meat in order to avoid more damages to the Mexican pork sector. Vicente Garcia, representative of the pork producers, said that the pork sector is registering a significant economic loss due to fallen sales of about 30 percent and a 75-percent increase in agricultural inputs. "This situation is jeopardizing this activity and the government could impose safeguards to imports of swine and pork products as a measure to protect the sector which is facing a critical situation that could compromise its existence in the future", said Garcia. (Source: El Financiero; 01/31/2008)

MEXICANS EAT FEWER BEANS EVERY YEAR

Besides the current protests against NAFTA, and bean trade liberalization, the Mexican Ministry of Agriculture (SAGARPA) has found another critical issue: Mexicans are eating fewer beans every day. According to a study, the average bean consumption per person in 1990 was almost 19 kilos per year; that number is now below 12 kilos per year and falling. Changes in consumer habits, preference for prepared foods and substitution from plant to animal protein sources have led to the decline. Production is relatively stable, but declining as well; going from 1.36 million MT in 1994 to 1.17 million MT last year. Imports have also stabilized, averaging about 116,000 MT per year. The study considers that U.S. bean imports are not a serious threat: production is relatively small and prices are higher; crop yields are three times larger in the United States, but farmers prefer to produce wheat, soy and corn. Thus SAGARPA defines four strategic actions for beans: first, reverse the drop in consumption, targeting an average of 14 kilos per year by 2012; second, increase bean exports to the United States, reaching 100,000 MT by the end of the current Administration. Third, increase crop productivity from 640 kilos to 1,000 kilos per hectare; and finally, increase production by including other varieties. (EXCELSIOR, JAN. 26)

FOOD IS EXPENSIVE IN MEXICO

Excessive intermediaries, high transport costs, the existence of natural monopolies in storage and handling are quoted by the GOM as the rationale behind the price gap between what the Mexican consumer pays and what the agricultural worker receives for his production. Consumers in Mexico pay almost five times the price paid to the producer, according to the Office of the Attorney for Consumer Protection. The GOM will set up different programs to enhance commercialization channels, in order to make it possible for producers to associate and deal directly with supermarkets and large distributors; they will also monitor and review price behavior and improve trade-related infrastructure. (REFORMA, JAN. 28)

GOM REJECTS PORK PRODUCERS' REQUEST FOR BORDER CLOSING

Mexico's Ministry for the Economy (SE) announced on January 28 that they cannot apply trade barriers to impede U.S. imports of pork products, a current request by the Mexican pork growers' associations, because there is no evidence of any damage to domestic production. Beatriz Leycegui, U/S for Trade Negotiations, explained that "there can't be a safeguard unless we cover the requirements; one of which is conclusive evidence of substantial import growth, and that hasn't happened". Mexican pork growers have requested that SE, SAGARPA and even the Mexican Congress, establish measures that block U.S. pork imports, under allegations of price dumping and cheap, health-threatening products that displace domestic production. (REFORMA, JAN. 28)

WAL-MART'S DIRECT SOURCING PROGRAM FAILED, ACCORDING TO AGRICULTURAL WORKERS

Selling directly to Wal-Mart was a project that agricultural workers affiliated to the National Agricultural Workers' Confederation (CNC) began two years ago, but according to them, the program has failed and they are forced to sell once more to the intermediaries, widening the price gap between producers and consumers. According to CNC, producers cannot meet the volume requirements and Wal-Mart delays payments up to eight months, something the average producer cannot handle. Meanwhile, Wal-Mart only commented that they keep a strong strategic relationship with CNC, and confirmed that 96% of its fresh produce supply comes from Mexican growers. (REFORMA, JAN. 29)

NEW PORTS OF ENTRY IN CHINA AUTHORIZED FOR MEXICAN PRODUCTS

As a result of the negotiations led by the General Directorate of Plant Health from the Mexican Secretariat of Agriculture (SAGARPA) and the General Administration of Supervision of Quality, Inspection and Quarantine (AQSIQ) of China, on December 14, 2007, AQSIQ authorized the ports of Guangzhou, Shenzhen, Zhuhai and Xiamen for the entry of avocado and table grapes from Mexico. With the addition of these new entry ports, the Mexican producers/exporters of both fruits will benefit from the strategic location of these ports in Chinese territory. (Source: SAGARPA 01/21/08)

REPORTS RECENTLY SUBMITTED BY FAS/MEXICO CITY

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MX7083	Weekly Highlights and Hot Bites #36	12/3/07
MX7082	Weekly Highlights and Hot Bites #35	11/16/07

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