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Planting Seeds

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Report Highlights:

The United States, with over 90 percent of market share, continues to be Mexico's primary source of imported seeds for sowing, a market valued at US\$ 149 million in 1999. With the continued improvement in the Mexican economy, the demand for food is expected to increase the demand for seeds.

Includes PSD changes: No
Includes Trade Matrix: Yes
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SECTION I. SITUATION AND OUTLOOK

Economic Situation and Outlook: The outlook for the Mexican economy continues to brighten after the uncertainty caused by the economic crises in Russia, Asia, and Brazil during the latter part of 1998 and early 1999. The nearly tripling of world oil prices combined with the Government of Mexico's (GOM) conservative fiscal and monetary policies have led to considerable strength in the Mexican economy. Estimated at 3.5 percent, GDP growth for 1999 surpassed earlier expectations, and the Bank of Mexico made believers out of skeptical market analysts by finishing 1999 below its 13 percent inflation target for the year, with an estimated 12.3 percent inflation rate.

That optimism is substantiated by the trade data. Mexico's exports increased 16 percent during the first eleven months of 1999 compared to the same period in 1998. Meanwhile, imports increased 12.9 percent and the trade deficit decreased by 36.7 percent during the same period. Higher oil prices and a more robust U.S. economy are the primary reasons for these improvements. The United States remains by far the most important market for Mexico's exports (88 percent in 1998) and the most important source of imports (74 percent).

Looking forward to 2000, the government projects that the current account deficit will be approximately US\$15.4 billion, a figure that would constitute a manageable 3.1 percent of GDP, but that's an increase from the 2.8 percent estimated for 1999. The GOM official inflation target for 2000 is 10.0 percent. The yearly average exchange rate is forecast at 10.4 pesos/US\$, which would be a modest depreciation from the average rate of 9.6 that prevailed in 1999. The GOM is targeting a fiscal deficit of only 1.0 percent of GDP, a decrease from the 1.25 percent deficit estimated for 1999.

Achieving these projections depends in a large part on strong oil prices. The higher than expected GDP growth rate in 1999 and the strength of the trade account are largely attributable to the rise in oil prices. Moreover, the GOM receives nearly one-third of its revenues from oil. The GOM used US\$16.0 per barrel to prepare the 2000 budget, a very reasonable target price given that the agreement to limit supply by the main exporting countries is likely to be extended for a good part of 2000. The price of the Mexican crude closed at US\$22.32 in December 1999. (NOTE: Mexican crude oil is a lower grade than North Brent crude.)

These reasons for optimism notwithstanding, it's important to note that the Mexican market tends to overreact to good or bad news and could be adversely affected by external or internal shocks. In particular, the Mexican economy is susceptible to U.S. economic conditions. A significant downturn in the U.S. economy, a large sustained correction in the U.S. equities market, or a pronounced increase in U.S. interest rates, could all trigger a downturn in Mexico. Internal politics also could present a threat to the economy.

Planting Seed Situation and Outlook: The continuous progress of the Mexican economy and the growing demand for food are the main driving force behind increasing demand for seeds, along with the rapid shift of farmers to hybrid seeds over the past several years in order to obtain a higher quality, more uniform, and more stable product.

Mexico will more than likely remain an attractive market for U.S. seed exports for several years. The proliferation of new variety registrations is creating a competitive seed market in Mexico. Maintaining export levels will require staying ahead of competitors in terms of developing and introducing new varieties to solve agronomic problems found in Mexico.

Trade

The United States, with over 90 percent of market share, continues to be Mexico's primary source of imported seeds for sowing, a market valued at US\$149 million in 1999. Nevertheless, several companies continue to produce seeds locally rather than resorting to imports. With the continued improvement in the Mexican economy, the demand for food should increase the demand for seeds.

The market for vegetable seeds is primarily in the northwestern states of Sinaloa and Sonora where the bulk of the country's modern farming takes place. The selected seeds in the tables of this report represent over US\$149 million in 1999, a drop of 8.7 percent from the previous year's figure of US\$162 million. According to reliable seed industry sources this reduction in value is due to the continued severe droughts in Sinaloa and Sonora and to the growing use of domestically produced seeds.

Policy

In broad terms, Mexico's seed policy requires that domestic seed sales or imports and seeds exported from Mexico conform to prescribed standards, and meet marking, labeling and packaging requirements. All seed sold in Mexico for most crops, whether locally produced or imported, must be of a registered variety. Only seed that has gone through Mexico's established grading system may be sold by variety name. Limiting access to the market for seed that does not conform to these provisions helps to preserve attractive price levels.

Marketing

Biotechnology is expected to drive the Mexican seed market in the near future, as it is beginning to do so. The evolving regulatory environment for biotech seed and their crops will affect variety approval and marketing prospects, and U.S. exporters should keep abreast of Mexican regulatory developments. As consumer choice expands, consumer education about variety characteristics

will also play an important role in marketing seed.

Mexico has recently created an interagency commission to analyze and regulate the consequences and use of transgenic products, the firm is known as: Comision Intersecretarial de Bioseguridad y Organismos Geneticamente Modificados (CIBIOGEM). CIBIOGEM is formed by the Secretariats of Public Education, Health, Finance, Environment, Commerce and Agriculture. The commission is presided over by the Secretariat of Agriculture and the National Council of Science and Technology is in charge of the technical secretariat. There is also a consultative commission on biosecurity with over 20 recognized experts from the scientific, academic, business and NGO communities.

Sales from Seminis, a Mexican owned agrotechnology corporation whose goal is to improve the physical and nutritional characteristics of fruits and vegetables through seeds have risen from 431 million dollars in 1998 to over 500 million in 1999. Seminis has 70 research and development centers in 19 countries of the world. It is the only seed producing company in the world with production in 31 countries and with sales in 125 countries. Research and development represents 12 percent of Seminis' sales, while more than 20 percent of annual sales are from new products. Seminis provides 22 percent of the world seed market, and more than 40 percent of the U.S. fruit and vegetable seed market.

SECTION II. STATISTICAL TABLES

Planting Seed Imports
Calendar Year

Tariff No. Commodity & Country of Origin	1998		1999	
	Value	Volume	Value	Volume
1003.00.01 Barley Seed U.S.A.	3,638	9,074	6,218	17,968
Others	0	0	115	3
Total	3,638	9,074	6,333	17,971
1004.00.01 Oat Seed U.S.A.	192,712	458,424	15,895	402,796
Total	192,712	458,424	15,895	402,796
1005.10.99 Corn Seed Brazil	294,018	74,242	335,317	284,068
U.S.A.	13,340,847	3,848,134	8,399,212	3,694,417
Guatemala	138,868	99,839	118,451	80,844
Chile	59,616	36,597	3,862	706
Others	97,143	4,261	529,738	275,578
Total	13,870,876	4,063,073	9,386,580	4,335,613
1201.00.01 Soybean Seed Brazil	40,841	42,055	118,642	147,150
U.S.A.	820,122	1,153,166	223,285	994,207
Guatemala	407,091	509,854	299,520	377,395
Others	0	0	525	67
Total	1,268,054	1,705,075	641,972	1,518,819
1202.10.01 Peanut Seed U.S.A.	609,887	422,934	801,265	532,358
Total	609,887	422,934	801,265	532,358
1206.00.01 Sunflower Seed Argentina	3,455	450	0	0
U.S.A.	29,530	3,132	94,372	15,607
Others	112	295	0	0
Total	33,097	3,877	94,372	15,607
1207.20.01 Cotton Seed Australia	703	324	60,450	38,000
U.S.A.	7,086,062	4,083,452	3,548,297	1,967,528
Total	7,086,765	4,083,776	3,608,747	2,005,528
1207.60.01 Safflower Seed U.S.A.	144,253	164,262	421	37,240
Total	144,253	164,262	421	37,240

1209.11.01 Sugar Beet Seed				
U.S.A.	62,790	9,604	43,197	6,428
France	4781	2000	1,035	28
Total	67571	11604	44,232	6,456
1209.21.01 Alfalfa Seed				
Australia	232,950	63,025	285,305	110,051
Spain	0	0	806,427	134,892
U.S.A.	12,395,113	3,234,241	12,780,900	3,325,649
Total	12,628,063	3,297,266	13,872,632	3,570,592
1209.22.01 Clover Seed				
Australia	4,800	3,000	0	0
U.S.A.	122,096	38,703	123,378	39,577
New Zealand	9,168	3,100	0	0
Total	136,064	44,803	123,378	39,577
1209.23.01 Fescue Seed				
U.S.A.	138,273	73,332	16,516	94,126
New Zealand	12,148	6,486	0	0
Total	150,421	79,818	16,516	94,126
1209.24.01 Bluegrass Seed				
U.S.A.	23,993	10,753	15,376	6,690
Total	23,993	10,753	15,376	6,690
1209.25.01 Ryegrass Seed				
U.S.A.	981,944	1,119,487	787,724	971,477
New Zealand	37,002	24,766	9,305	14,969
Other	0	0	20,125	19,809
Total	1,018,946	1,144,253	817,154	1,006,255
1209.29.01 Westerwold Seed				
U.S.A.	1,905	113	13	90
Total	1,905	113	13	90
1209.29.02 Lawn and Pasture Grass Seed				
Australia	107,000	20,000	37,006	10,006
Brazil	4,237,975	653,209	4,087,597	738,626
Japan	1,304	20	0	0
U.S.A.	2,253,280	1,861,358	2,441,312	2,397,271
New Zealand	970	500	16,149	6,866
Great Britain	0	0	3,177	1,474
Total	6,600,529	2,535,087	6,585,241	3,154,243

1209.29.03				
Sorghum Seed				
Argentina	15,850	14,000	0	0
Brazil	6,268	510	0	0
Guatemala	7,700	4,990	0	0
U.S.A.	31,227,098	30,215,919	23,934,550	24,951,893
New Zealand	4,065	10,206	0	0
Total	31,260,981	30,245,625	23,934,550	24,951,893
1209.29.99				
Other Seed				
Costa Rica	0	0	696	58
Guatemala	15,586	1,020	0	0
Honduras	0	0	325	50
U.S.A.	359,297	298,333	177,514	195,369
France	913	270	63,524	32,693
Others	4,222	1,356	269,583	65,510
Total	380,018	300,979	511,642	293,680
1209.30.01				
Flower Seed				
Germany	6,848	10	11,677	10
U.S.A.	480,551	5,377	864,006	22,172
Guatemala	15,325	40	0	0
France	136,864	623	173,369	1,021
Japan	25,895	8	35,844	6
New Zealand	427	150	0	0
Netherlands	24,876	11	22,878	18
Switzerland	3,967	2	876	6
Others	0	0	22,909	144
Total	694,753	6,221	1,131,559	23,377
1209.91.01				
Onion Seed				
Chile	719	23	51,641	224
China	0	0	5,598	45
South Korea	0	0	36,121	543
U.S.A.	10,937,463	198,417	9,782,367	169,325
France	19,329	146	44,658	631
Israel	4,803	67	876	30
Netherlands	19,229	708	29,425	1,207
Others	0	0	13,650	89
Total	10,981,543	199,361	9,964,336	172,094

1209.91.02				
Tomato Seed				
Chile	465,542	296	129,155	33
China	382,740	212	264,156	116
South Korea	27,841	27	0	0
Denmark	0	0	28,924	14
Spain	8,522	23	4,402	10
U.S.A.	6,862,003	17,515	9,324,752	15,549
France	1,986,575	268	2,262,693	191
Israel	5,852,916	625	6,182,168	474
Netherlands	969,051	158	908,469	110
Thailand	52,469	16	18,823	13
Taiwan	53,575	9	0	0
Turkey	4,477	49	0	0
Others	25,743	33	285,078	226
Total	16,691,454	19,231	19,408,620	16,736
1209.91.03				
Carrot Seed				
Chile	3,696	227	0	0
China	0	0	20,856	1,837
U.S.A.	2,110,010	131,387	2,602,267	136,717
France	128,278	1,795	82,306	1,641
Israel	4,375	227	0	0
Netherlands	32,337	207	25,836	177
Others	0	0	120,994	8,171
Total	2,278,696	133,843	2,852,259	148,543
1209.91.04				
Radish Seed				
Australia	19,125	1,311	0	0
Chile	10,683	1,002	1,837	105
South Korea	2,991	23	0	0
U.S.A.	1,253,932	147,858	1,622,884	198,677
France	14,439	4,073	7,207	604
Thailand	646	91	0	0
Others	0	0	6,553	156
Total	1,301,816	154,358	1,638,481	199,542
1209.91.05				
Spinach Seed				
Chile	5,566	1,134	0	0
South Korea	7,267	376	14,289	582
U.S.A.	569,845	69,169	442,270	32,457
France	9,473	3,695	7,088	414
Japan	4,784	315	0	0
Netherlands	1,485	100	0	0
Others	0	0	74,345	15,210
Total	598,420	74,789	537,992	48,663

1209.91.06				
Broccoli Seed				
Chile	3,089	10	0	0
South Korea	2,289	4	4,124	86
U.S.A.	5,498,830	19,745	4,796,204	17,992
Netherlands	77,600	171	29,200	41
Others	3,150	20	60,268	64
Total	5,608,081	20,006	4,889,796	18,183
1209.91.07				
Pumpkin Seed				
South Korea	11,119	109	68,398	752
North Korea	24,963	233	2,376	24
Bulgaria	327,530	180,889	277,794	213,211
Chile	308,009	4,994	31,568	293
China	2,043,664	213,331	2,242,439	50,266
U.S.A.	3,512,723	158,877	3,842,550	206,297
Japan	1,075,387	6,193	1,495,686	7,924
Turkey	197,167	111,750	261,473	200,355
Others	132,033	34,552	183,881	2,456
Total	7,632,595	710,928	8,406,165	681,578
1209.91.08				
Cabbage Seed				
Chile	66,520	328	0	0
U.S.A.	940,610	7,903	604,228	5,034
Netherlands	61,019	83	17,817	18
Others	52,124	244	37,056	193
Total	1,120,273	8,558	659,101	5,245
1209.91.09				
Cauliflower Seed				
Chile	24,826	26	9,323	19
U.S.A.	531,026	1,865	674,543	1,924
Other	27,810	159	36,159	40
Total	583,662	2,050	720,025	1,983
1209.91.10				
Asparagus Seed				
U.S.A.	178,294	973	282,252	1,023
Total	178,294	973	282,252	1,023
1209.91.11				
Bell Pepper Seed				
Israel	1,666,172	414	1,440,345	373
France	1,047,435	231	278,708	112
Chile	2,091,794	738	1,191,204	360
South Korea	232,099	154	297,854	167
U.S.A.	11,585,979	43,710	8,943,449	33,062
Netherlands	403,251	45	649,751	103
Others	162,730	18,967	279,889	145
Total	17,189,460	64,259	13,081,200	34,322

1209.91.12 Lettuce Seed				
U.S.A.	1,070,098	20,879	1,065,680	35,951
Others	116,427	1,782		295
Total	1,186,525	22,661	1,101,786	36,246
1209.91.13 Cucumber Seed				
U.S.A.	5,829,971	60,696	6,226,601	61,906
Others	265,750	647	376,296	295
Total	6,095,721	61,343	6,602,897	63,218
1209.91.14 Eggplant Seed				
U.S.A.	80,514	1,041	87,194	150
Others	18,668	39	7,763	16
Total	99,182	1,080	94,957	166
1209.91.99 Other Vegetable Seed				
U.S.A.	1,443,245	305,041	1,177,329	163,333
Others	158,154	21,890	99,279	4,814
Total	1,601,399	326,931	1,276,608	168,147
1209.99.01 Cantaloupe Seed				
Chile	678,899	2,176	69,786	159
China	277,808	1,173	758,607	2,864
U.S.A.	4,892,687	26,795	5,786,201	27,027
Others	274,773	701	312,297	1,142
Total	6124,167	30,845	6,926,891	31,192
1209.99.02 Watermelon Seed				
Chile	808,373	2,596	297,778	636
China	239,808	333	904,225	2,117
U.S.A.	4,678,236	40,257	6,483,744	30,593
Others	85,371	593	60,311	93
Total	5,811,788	43,779	7,746,058	33,439
1209.99.99 Other Seed				
Costa Rica	83,571	41,082	216,513	129,630
Cuba	363,177	735	632,858	985
U.S.A.	242,325	28,076	388,875	6,591
Others	166,307	794	94,193	1,883
Total	855,380	70,687	1,332,439	139,089

SOURCE: Bank of Mexico and Commerce Secretariat (SECOFI)

Planting Seed Exports
Calendar Year

1005.10				
Corn Seed				
Colombia	598,957	422,720	578,828	376,511
U.S.A.	1,573,724	4,161,548	3,819,916	4,949,791
Guatemala	199,528	176,877	164,850	114,000
Honduras	430,871	414,280	846,644	551,200
Venezuela	755,040	539,500	12,485	10,070
Others	99,352	67,197	352,068	241,897
Total	3,657,472	5,782,122	5,774,791	6,243,469
1209.21				
Alfalfa Seed				
Costa Rica	10,033	1,499	0	0
U.S.A.	197,510	45,274	397,277	116,780
Others	0	0	9,170	4,400
Total	207,543	46,773	406,447	121,180
1209.22				
Clover Seed				
Guatemala	840	250	538	120
Total	840	250	538	120
1209.30				
Flower Seed				
U.S.A.	994,130	17,268	855,675	12,453
India	121,929	4,045	231,485	5,021
Peru	5,500	126	48	600
United Kingdom	127,861	108	169,447	137
Japan	0	0	3	15
Netherlands	5,189	2,050	0	0
Argentina	3,500	100	0	0
Total	1,258,109	23,697	1,256,658	18,226

SOURCE: Bank of Mexico and Commerce Secretariat (SECOFI)