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## Mexico

### Agricultural Situation

#### Weekly Highlights & Hot Bites, Issue #15

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**Report Highlights:**

\$10.5 MILLION PROJECTS SALES REPORTED AT ANTAD 2003!\*CHINESE EXPORT TO THE U.S. DISPLACE MEXICO'S NUMERICAL RANK\*GOM MAY CALL ON CANADIAN AND U.S. AGRICULTURAL EXPERTS\*PIPE DREAMS\*"THE FARMLAND CAN'T STAND ANYMORE," UPDATE\*PATRON SEEKS RURAL DEVELOPMENT FUNDING\*A CRUCIAL MOVE FOR MEXICAN TRADE POLICY\*FARMING GROUPS ANXIOUS ABOUT NATIONAL AGRICULTURAL PACT\*POOR WATER CONDITIONS MAY POSE AS FAVORABLE\*NATIONAL AGRICULTURAL PACT NEGOTIATIONS WILL NOT BE EASY\*BLAME IT ON THE INTERMEDIARIES\*FARMING GROUPS WANT EMERGENCY FUNDS\*MEXICO SHOULD RENEGOTIATE NAFTA\*MEMBERS OF U.S. CONGRESS FLEX POLITICAL MUSCLES\*MEXICAN FOOD EXPORTERS ARE AWARE OF NEW REGULATIONS\*FLORES RALLIES MEXICAN TRUCKERS AND ACCUSES GOM\*MEXICO IN SERIOUS WATER PROBLEMS\*EDUCATION IS KEY FOR MEXICO'S RURAL DEVELOPMENT\*RETALIATION AGAINST MEXICAN CONSUMER GOODS\*FDA BIOTERRORISM LAW IMPLICATES FOREIGN AND DOMESTIC\*INVESTORS PLACE THEIR TRUST IN MEXICO

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Includes PSD Changes: No  
Includes Trade Matrix: No  
Unscheduled Report  
Mexico [MX1]  
[MX]

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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.

DISCLAIMER: Any press summary contained herein does NOT reflect USDA's, the U.S. Embassy's, or any other U.S. Government agency's point of view or official policy.

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### **\$10.5 MILLION PROJECTS SALES REPORTED AT ANTAD 2003!**

The 20<sup>th</sup> Anniversary of ANTAD 2003, the largest food and retail show in Latin America, was held March 14-17, 2003 at the Expo Guadalajara in Guadalajara, Mexico. Nearly 50 companies were located in the USA Pavilion. Companies reported USD \$10.6 million in 12-month projected sales and 386 serious contacts. Products that generated interest were chocolates, cereal, cheesecakes, Kosher, onions, white chocolates, beef, popcorn, ice cream, energy drinks, snacks, almond meats, soup, dry, cheese, pies, duck meat, non-refrigerated cheese snacks, pork, gourmet lollipops, and soy milk. (Source: Agricultural Trade Office, Mexico and Agriculture Exports, WO, 3/20/03)

### **CHINESE EXPORT TO THE U.S. DISPLACE MEXICO'S NUMERICAL RANK**

According to the U.S. Department of Commerce, China overtook Mexico as the second largest exporter to the United States last year. The largest exporter of goods to the United States is Canada. From August 2002-January 2003, China sold USD \$72.2 billion of goods to the United States, while Mexico sold USD \$68.4 billion of goods during the same period. (Source: *Reforma*, 3/14/03)

### **GOM MAY CALL ON CANADIAN AND U.S. AGRICULTURAL EXPERTS**

The National Governors' Conference (CONAGO) will present a proposal for agricultural development to Secretary of Agriculture Javier Usabiaga and Secretary of Government Affairs Santiago Creel. The proposal recommends that the GOM open a round of negotiations with Canadian and U.S. experts to address products affected by agricultural subsidies. Farming leaders will deliver a proposal for the National Agricultural Pact to Secretary of Government Affairs Santiago Creel, in which they will demand the renegotiation of NAFTA's agricultural chapters, reforms to Article 27 of the Constitution, and the creation of an agricultural support fund from surplus oil revenues. (Source: *Reforma*, *El Universal*, *La Jornada*, *Milenio Diario*, 3/14/03)

### **PIPE DREAMS**

On March 13, 2003, farming groups returned to the picket lines to express their disdain with the lack of a National Agricultural Pact. Farming groups believe that the likelihood of such a pact is dismal. Farming groups also added that they will take to the streets again in a massive protest on April 10, 2002. (Source: *Milenio Diario*, 3/14/03)

**"THE FARMLAND CAN'T STAND ANYMORE," UPDATE**

The farming group "The Farmland Can't Stand Anymore," has been steadfast in their adamancy in renegotiating NAFTA's agricultural chapter, but now add to their list of demands the Constitutional reform of Article 27. Additionally, "The Farmland Can't Stand Anymore", drafted a copy of what the National Agricultural Pact should resemble. (Source: *El Universal*, 3/14/03)

**PATRON SEEKS RURAL DEVELOPMENT FUNDING**

On March 13, 2003, State of Yucatán Governor, Patricio Patrón, visited Washington in search of financial support to a number of housing and rural development projects for his state. Governor Patrón met with Enrique Iglesias, the Interamerican Development Bank President, who showed interest in the projects and willingness to support them. (Source: *Reforma*, 3/14/03)

**A CRUCIAL MOVE FOR MEXICAN TRADE POLICY**

A special report describes the controversy surrounding a plan to transfer the Deputy Secretariat of Foreign Trade Negotiations from the Economic Secretariat (SE) to the Secretariat of Foreign Affairs (SRE). Foreign trade specialists said this would put Mexico's trade policies at the mercy of diplomats. (Source: *Reforma*, 3/17/03)

**FARMING GROUPS ANXIOUS ABOUT NATIONAL AGRICULTURAL PACT**

Farming groups demanded that the federal government indicate a commitment to include a common diagnosis of Mexico's agricultural problems in the National Agricultural Pact. Farmers want the federal government to declare Mexican agriculture to be in a state of emergency, paving the way for an emergency fund to reactivate the rural sector. Víctor Suárez, spokesman for "The Farmland Can't Stand Anymore," said that farming groups would deliver their final proposal to the federal government on March 17, 2003, for the agricultural pact. (Source: *Reforma*, *El Universal*, *El Financiero*, *La Jornada*, 3/17/03)

**POOR WATER CONDITIONS MAY POSE AS FAVORABLE**

Mexico is a possible candidate to host the World Water Forum in 2006. According to a U.N. study, Mexico ranks 106th out of 188 nations in regard to water quality. Farmers in the Valle Huido in Coahuila accused the National Water Commission of playing favorites in the distribution of water. (Source: *Reforma*, *El Financiero*, *La Jornada*, 3/17/03)

**NATIONAL AGRICULTURAL PACT NEGOTIATIONS WILL NOT BE EASY**

Political negotiations between farming groups and federal government officials will define and prescribe the wording for the National Agricultural Pact. The National Farm Worker Confederation (CNC) stated that renegotiation of NAFTA's agricultural chapter and declaring a moratorium on the rural sector farmland are their main reservation. (Source: *El Universal*, 3/17/03)

**BLAME IT ON THE INTERMEDIARIES**

On March 17, 2003, Secretary of Agriculture, Javier Usabiaga, said that he is working on bridging the agricultural commercial gap with Mexico's NAFTA partners. Secretary Usabiaga added that in addition to attacking market distortions and asymmetries he would need to eliminate agricultural intermediaries who "drive up prices and deteriorate product quality and give producers a bad name." (Comment: Mr. Usabiaga referred to "intermediaries" as distributors who have a reputation for underpaying producers and driving up market prices for retailers. End Comment.) (Source: *El Universal, El Financiero, Reforma*, 3/17/03)

**FARMING GROUPS WANT EMERGENCY FUNDS**

On March 17, 2003, farming group leaders demanded that the executive government and Congress declare a moratorium on the rural sector farmland. Farming groups would like to see emergency funds go toward a reactivation of investment for building a productive rural sector. Additionally, farming groups want a percentage of oil revenue and federal reserves to help pay for the problems with the rural sector. (Source: *El Universal*, 3/17/03)

**MEXICO SHOULD RENEGOTIATE NAFTA**

A researcher for the Centre for Prospective Economic Studies (a French policy think tank), Robert Boyer, said Mexico should renegotiate its commercial treaties with the United States. According to Mr. Boyer, Mexico should look to other countries like Brazil, Argentina, and Chile for support in order to prevent a domino effect in the event the United States economically collapses due to war, thereby not dragging Mexico down with them. (Source: *El Financiero*, 3/17/03)

**MEMBERS OF U.S. CONGRESS FLEX POLITICAL MUSCLES**

U.S. legislators submitted a letter to the Mexican Ambassador to the United States, Juan José Bremer, where they aggressively demanded the immediate removal of trade barriers on high fructose corn syrup (HFCS) in the Mexican market and threatened retaliation. The bipartisan letter was initiated by U.S. Congress Finance Committee Chairman, Jim Nussle, (R-IA) and signed by 30 members of Congress. The Corn Refiners Association (CRA) and the Corn Growers Association both applauded the efforts made by legislators. (Comment: Information in this article was confirmed for verity by Congressman Nussle's Office. End Comment.) (Source: *El Financiero*, 3/17/03)

**MEXICAN FOOD EXPORTERS ARE AWARE OF NEW REGULATIONS**

On February 18, 2003, the Food and Drug Administration (FDA) announced new security measures for food exporters to prevent bioterrorist attacks. During a videoconference organized by the U.S. Embassy Office of Public Affairs and Leslye Miller, associate director of the Center for Food Security, it was stated that Mexican food exporters have been aware of the new regulations since February 6, 2003. (Source: *El Universal, Excelsior, La Jornada*, 3/18/03)

**FLORES RALLIES MEXICAN TRUCKERS AND ACCUSES GOM**

On March 18, 2003, Leon Flores, a presidential candidate for the National Trucking Chamber (CANACAR), demanded that the federal government "end privileges" for U.S. truckers operating in Mexico. Flores said that 100 companies face bankruptcy because the GOM had acted passively about opening U.S. borders to Mexican trucks. (Source: *El Universal*, 3/19/03)

**MEXICO IN SERIOUS WATER PROBLEMS**

On March 17, 2003, during the World Water Forum in Japan, Abel Mejia, the Latin American coordinator of water issues for the World Bank, said that Mexico faced the most serious water problems out of all the nations in Latin America. The federal government is preparing a decree to regulate the use of water in the Lerma-Chapala river basin. Water authorities in central Mexico have worked on a number of campaigns to promote more efficient water use, but growing populations put a strain on the limited amount of potable water. (Source: *Reforma*, 3/18/03)

**EDUCATION IS KEY FOR MEXICO'S RURAL DEVELOPMENT**

On March 17, 2003, the Inter-American Development Bank (IADB) announced it would loan USD \$210 million to Mexico for the first phase of a project designed to improve education in rural communities. (Source: *El Universal*, *El Financiero*, *La Jornada*, 3/18/03)

**RETALIATION AGAINST MEXICAN CONSUMER GOODS**

Many members of the Mexican business community have voiced their concern of a possible U.S. retaliation on Mexican consumer goods. They warn that U.S. consumers and investors could "punish" them the same way they are punishing French imports. However, others said U.S. consumers are price sensitive and trust quality while investors stick to stability and trustworthiness of a nation's economy and not how a country voted in the United Nation's Security Council. (Source: *Reforma*, *El Economist*, *El Financiero*, *El Universal*, 3/18/03)

**FDA BIOTERRORISM LAW IMPLICATES FOREIGN AND DOMESTIC**

As of December 12, 2004, the Food and Drug Administration (FDA) will implement the New Bioterrorism laws to reinforce food imports. Leslye Miller, associate director of the Center for Food Security warned that this legislation mandates that over 2,000 foreign companies and 200,000 U.S. companies register online with the FDA. (Source: *El Financiero*, *Milenio Diario*, *El Universal*, 3/18/03)

**INVESTORS PLACE THEIR TRUST IN MEXICO**

On March 18, 2003, incoming President to the Association of International Financial Institutions, Miguel Noriega, considered Mexico's economic conditions and highlighted foreign investment opportunities, specifically in the consumer goods industry. (Source: *El Financiero*, 3/19/03)

**REPORTS SUBMITTED RECENTLY BY FAS/MEXICO CITY**

| <b>Number</b> | <b>Title</b>                                   | <b>Date</b> |
|---------------|--|-------------|
| MX3030        | Hot Bites Issue #14                            | 03/13/03    |
| MX3031        | Assessment of U.S. and Mexico Winners & Losers | 03/19/03    |

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