



Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Voluntary Report - public distribution

Date: 9/18/2002

GAIN Report #MX2132

Mexico

Agricultural Situation

Weekly Highlights & Hot Bites, Issue #31

2002

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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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CHANGE OF PORT OF ENTRY FOR POULTRY IN BRINE

On September 13, 2002, the Secretariat of Treasury (SHCP) published an announcement in the *Diario Oficial* (Federal Register) indicating that the Mexican custom point of entry for poultry in brine, H.T.S. 0210.90.03, will change from Ciudad Juarez to the entry custom point of Colombia in Nuevo Laredo. This change will be in effect 30 days after the publication, or October 13, 2002. (Source: *Diario Oficial*, 9/13/02)

GOURMET POTATO BREAD COMES TO MEXICO

Thanks to persistent and substantive legwork by the United States Potato Board, Grupo Bimbo, Mexico's biggest producer of pre-packed bakery items, has successfully launched its new Gourmet Potato Bread, which contains 11.2% U.S. dehydrated potatoes. This potato bread is the first of its kind in Mexico and, according to the company, sales are much better than expected. Because of this success, Bimbo plans to expand distribution of potato bread outside of the Mexico City market, where it was introduced, to the country as a whole. Exports of U.S. dehydrated potatoes could expand even more as other bakeries, large and small, try to emulate Bimbo's success by introducing their own potato breads. (Source: ATO/Mexico City, 9/13/02)

USABIAGA RECOGNIZES GRAINS SHORTAGE

The Secretary of Agriculture, Javier Usabiaga Arroyo, admitted that there is a grain shortage in the livestock sector and the agroindustry as a consequence of the international price increases as well as the delay in the allocation of complementary import corn quotas (TRQs) for the second semester of the year (see MX 2126). After appearing before the Lower Chamber, Usabiaga explained that the allocation of corn TRQs was delayed because of the congressional decision of applying import tariffs of 1 and 3-percent above the original TRQ for white and yellow corn respectively, which was announced in the 2002 Revenues Law. "The process that importers became aware of and the import tariff and its enforcement were the main factors that motivated the delay in the TRQ allocation." Usabiaga indicated that there is a shortage right now, but the importers wanted the quotas in July in order to punish the domestic prices of the stored crops. "In the case of the *quotas*, we have a condition, the initial quota can be announced without problems but the supplementary quota is regulated by the Congress."

On the other hand, Armando Paredes Arroyo, President of the National Agricultural Council

(CNA), expressed that he foresees a price increase up to 50 percent in the yellow corn, in addition to the increase registered in the last two months. He urged the Government of Mexico (GOM) to define and implement, as soon as possible, the "agricultural armor-plating." For the leader of the CNA, the expectation of higher prices is based on the projection that the U.S. grain stocks will fall approximately 50 percent, according to information disclosed by the U.S. Department of Agriculture few days ago. "The GOM has to apply the armor-plating immediately, and it should be more strict enforcing all the sanitary and quality rules," he said. "Moreover, the GOM has to be very rigid in the commitments of the trade agreements," he added. (Source: *Reforma*, 9/18/02)

MEXICO PLANS TO INVEST US\$2.2 BILLION ANNUALLY IN WATER INFRASTRUCTURE

In a bid to update Mexico's woefully wasteful water-supply network, President Vicente Fox announced a plan Tuesday, September 17, 2002, that would invest US\$2.2 billion dollars annually in new infrastructure and other measures that could help stem growing disputes over shrinking water supplies. Fox said the new investment would focus especially on waterworks in the border region, where Mexico's failure to pay promised volumes of water into the Rio Grande River sparked a dispute earlier this year with U.S. farmers. Fox wants to build more efficient water lines and treatment plants, and to use what little water Mexico has more efficiently. For example, he pledged to boost the amount of waste water Mexico treats and reuses from one-third of output to two-thirds by 2006. Fox also suggested that customers should be charged a realistic price for water, most farmers currently pay nothing, and that users should be required to become more efficient. Mexico's current level of investment, mainly by the government, is about US\$1.3 billion dollars annually. For the next several years, Fox wants to make up the remainder with credits or grants from international agencies like the North American Development Bank. (Source: *The News*, 9/18/02)

CAN MEXICAN PACKERS AND EXPORTERS OF AVOCADOS COMPETE?

Michoacan producers and packers said that "Calavo," a U.S. packing company located in Uruapan, Mexico, has been using "unfair" marketing practices to control almost 40 percent of the total Mexican avocado exports to the United States. Representatives from the avocado industry said that Calavos's marketing practices includes the higher final prices that this company pays to producers, affecting directly another Mexican competitor, and the shipment of low quality avocados to the U.S. market, deteriorating the Mexican produce image. Moreover, they stated that if this practice prevails for 2003 and no marketing and legal actions are taken, Mexican avocado exports to the United States would be entirely controlled by U.S. packing firms. Calavo was established in 1998 and currently is one of the most important Mexican export packing companies along with Mission, Fresh Direction and Tropic. For the 2001-2002 period, Mexico exported 24,477 tons since the market window to ship Mexican avocados to the United States was extended for six months and the number of U.S. states, where this produce can be sold, increased to 31. (Source: *El Financiero*, 9/18/02)

CONTINUED PROTESTS FOR CONSTRUCTION OF MCDONALD'S IN OAXACA CITY

Mexican painter Francisco Toledo said he will continue with the crusade he began in August to prevent U.S. restaurant chain, McDonald's, from opening a restaurant in the most important downtown historic plaza in the southern city of Oaxaca. "Why put a wart of ground beef right on our main plaza, an ominous sign of our loss of values?" he asked. Considered the most important living Mexican artist, Toledo has led the fight to stop the fast food chain, which already has official authorization, from opening a restaurant in Oaxaca. The city is designated by UNESCO as a World Heritage Site. In an article published Monday, September 16, 2002, in *El Universal* daily, Toledo defended the preservation of Oaxaca's historic treasures and architectural heritage and urged city residents to prevent politicians from ruining public buildings. "Cities are a reflection of the society and people who built and lived in them. Cities manifest our human contradictions, our vices and our inequalities, but also our history and our most important values," the painter said. "Oaxaca's streets and buildings, our symbolic spaces, like the public square, should express the respect we have for our historic origins and traditions." Oaxaca owes its fame to the beauty and harmony of its architecture, the wealth of its cultural traditions, the extensive variety of its typical food and a temperate climate, which remains spring-like throughout the year, " Toledo added. (Source: *The News*, 9/17/02)

MEXICO BUCKS TREND OF PLUMMETING GLOBAL FOREIGN INVESTMENT IN 2001

A United Nations (UN) study released on Tuesday, September 17, 2002, revealed that while global cross-border investment plummeted in 2001, foreign direct investment (FDI) in Mexico shot up to record levels. The UN's annual "World Investment Report," described by an Economy Secretariat Director as "the Bible of investment information," found world FDI inflows totaled US\$735 billion in 2001, down 51 percent from 2000. The decline was even worse than the 40-percent decrease the UN predicted in January 2002. The brunt of the fall was borne by developed countries, in which FDI shrank by 59 percent, compared to a 14-percent decline in the developing world. However, developed economies still got the lion's share of FDI, receiving US\$503 billion dollars of cross-border investment. Mexico bucked the downward trend, when its FDI inflows rocketed from US\$14.7 billion dollars in 2000 to US\$24.7 billion dollars last year, the UN report confirmed. The massive increase made the nation the largest FDI recipient in Latin America and the ninth largest in the world. However, almost half of the investment came from a single deal: the US\$12.5 billion-dollar acquisition of Banamex by Citigroup, the second biggest acquisition in Latin America. The Economy Secretariat predicts FDI to Mexico will fall this year to US\$13 billion, below its 2000 level. (Source: *The News*, 9/18/02)

NEW DIRECTOR OF IME

According to a local newspaper, President Vicente Fox has designated Candido Morales as the new Director of the Mexicans Abroad Institute (IME), a department tied to the Foreign Relations Secretariat (SRE) and created by presidential decree, government authorities reported on Monday, September 16, 2002. The primary functions of IME will consist of carrying out the policies of both the president and foreign embassies in order to attend to and strengthen services for Mexicans living in other countries. Morales, a Mexican emigre who hails from the State of Oaxaca but lives in North Carolina, was selected from a pool of more than 300 candidates. (Source: *The News*, 9/17/02)

STORM ALERT

According to civil protection authorities, a state of emergency along the Pacific Coast has been declared due to the approach of Tropical Storm "Iselle." The storm, according to meteorologists, could develop into a hurricane and is expected to drop copious amounts of rain along Mexico's Pacific Coast farmlands over the next few days. Iselle was located 150 kilometers southeast of Socorro Island, Colima, and 485 kilometers southwest of Cabo Corrientes, Jalisco. Iselle was heading northwest at about 22 kilometers per hour. (Source: *The News*, 09/17/02)

REPORTS SUBMITTED RECENTLY BY FAS/MEXICO CITY

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MX2130	Weekly Highlights & Hot Bites, Issue #30	9/11/02
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