



USDA Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Template Version 2.09

Voluntary Report - public distribution

Date: 9/08/2006

GAIN Report Number: MX6075

Mexico

Agricultural Situation

Weekly Highlights and Hot Bites #35

2006

Approved by:

Erich Kuss

U.S. Embassy

Prepared by:

Dulce Flores, Luis Chavez and Jeff Nawn

Report Highlights:

- **SUGAR INDUSTRY DISAGREES WITH GOM SUGAR IMPORT TRQ'S**
- **MEXSTARCH & JALCOHOL TO BEGIN ETHANOL PRODUCTION FROM CORN**
- **BIO-FUELS LAW ALMOST READY**
- **PRIVATE SECTOR "SHUFFLES" POTENTIAL CABINET APPOINTMENTS**

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.

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.

SUGAR INDUSTRY DISAGREES WITH GOM SUGAR IMPORT TRQ'S

The sugarcane industry considers the recent government announcements from the Secretariat of Economy (SE) of two sugar import tariff-rate-quotas (TRQs), one for 90,000 MT and another for 100,000 MT (*not officially published*), as unnecessary and unjustified, as it has proved that there is enough sugar to cover market demand. The sugar audit that was undertaken by Altieri, Gaona and Hooper as well PriceWaterHouseCoopers indicated that sugar inventories, as of June 30, were 2,519,774 MT. However, most of this sugar has already been sold and is in hands of trading companies, who are holding the commodity in hopes of high prices. SE has indicated that the objective of the TRQs are to bring down sugar prices close to the U.S. market levels so that Mexico is prepared to compete freely in that market in January 2008. The Secretariat of Economy (SE) indicated that the second sugar import TRQ of 100,000 MT has already been allocated among end users and is divided into two parts of 50,000 MT each. The first part, destined for the domestic market, to be used by any industry and importer until it is filled. After monitoring sugar prices, the SE will determine if the second part of the TRQ will be necessary. The second part, if it is approved, will be allocated to the soda bottlers (30,000 MT), and chocolate, sweets, bread and juice industries (20,000 MT). (Source: Financiero, Reforma 9/4/06, Excelsior, Financiero 9/6/06)

MEXSTARCH & JALCOHOL TO BEGIN ETHANOL PRODUCTION FROM CORN

Now that the new Mexican Congress has taken office, the Biofuels Law will be one of the first projects to be analyzed by the Senate. The bill includes a series of actions to produce "cleaner" fuels and to stimulate biofuel production. Meanwhile, private companies are already working on the design of ethanol production plants, seeking investment and potential markets for the ethanol. These projects are expected to be ready by 2008, when the biofuel public policy should be implemented. Destilmex, a project of the Mexican sugar company Zucarmex, is projecting to generate 30 million gallons of ethanol and 100,000 MT of dried distillers' grains (DDG's), with an investment of over US \$50 million. Destilmex will consume 260,000 MT of corn and sorghum. In Sinaloa, Mexstarch is planning to produce 5.1 million gallons of ethanol and 30,600 MT of DDG's. An alliance with local corn growers and an investment of US \$15 million will support this project, probably the first to be running by mid-2007. Finally, Jalcohol, working with the National Corn Growers Confederation is expecting to invest US \$8 million in the state of Jalisco in a project expected to generate 40 million gallons of ethanol and 120,000 MT of DDG's. (REFORMA, SEP. 05)

Post Note: It is worth mentioning that the current target of these ethanol production projects will be for non-fuel use of ethanol, for example in pharmaceutical and liquor industries, as well as exports to the United States. Once the GOM establishes a specific biofuel policy, then the ethanol generation plants may provide inputs to the fuel industry.

BIO-FUELS LAW ALMOST READY

Isabel Gomez, president of E-Mision Foundation, commented that the Bio-fuels Promotion and Development Law could be approved by the new Mexican Congress in the near future. "This Law promotes ethanol and biodiesel production, as well as promoting bio-crops, so that we don't need to import inputs", stated Gomez in an interview. The proposed bill includes the direct involvement of farm workers and growers to promote sustainable development in rural communities. E-Mision Foundation has lobbied for nine years to create a bio-fuel culture in Mexico based on Brazil's experience. (EXCELSIOR, SEP. 06)

PRIVATE SECTOR "SHUFFLES" POTENTIAL CABINET APPOINTMENTS

Now that Felipe Calderon has been declared President-elect of Mexico, members of the private sector have begun to speculate on potential cabinet appointments for the next Administration, which will take office on December 1. Political analysts believe these are the potential candidates for the different Mexican Ministries: **Agriculture (SAGARPA)**: Ernesto Ruffo, Alberto Cardenas and Abraham Uyeda. **Treasury (SHCP)**: Agustin Carstens and Luis Tellez. **Economy (SE)**: Eduardo Sojo, Luis Tellez and Juan Molinar. **Energy (SENER)**: Cesar Nava, Juan Mouriño and Emilio Goicoechea. **Communications (SCT)**: Javier Lozano, Jose Gonzalez and Humberto Treviño. **Labor (STPS)**: Alejandro Zapata, Gonzalo Moctezuma and Genaro Borrego. **State (SEGOB)**: Francisco Ramirez, Josefina Vazquez and Juan Molinar. **Foreign Relations (SRE)**: Andres Rozental, Arturo Sarukan and Jesus Reyes-Heroles. **Federal Security (SSP)**: Miguel Angel Yunes. **Attorney General (PGR)**: Cesar Nava and German Martinez. (EL FINANCIERO, SEP. 07)

REPORTS RECENTLY SUBMITTED BY FAS/MEXICO CITY

NUMBER	TITLE	DATE
MX6073	Mexico Announces a Sugar TRQ for 2006	8/30/06
MX6072	Fresh Deciduous Report	8/31/06
MX6071	Poultry Annual Report	8/31/06
MX6070	Mexico Publishes the List of Authorized Additives for Food and Beverages – Purified Substances, Enzymes & Synthetic Flavors	8/25/06
MX6069	Weekly Highlights and Hot Bites #33	8/25/06
MX6068	Livestock Annual	8/25/06
MX6067	Mexico Increases the Number of Authorized Crossing Points for Specific Products	8/22/06
MX6066	Tree Nuts Annual	8/18/06
MX6065	Mexico Increased the Number of Authorized Crossing Points for Meat & Edible Offals	8/15/06
MX6060	Mexico, NAFTA, and Agriculture	7/27/06
MX6059	FAIRS Country Report	7/27/06
MX6058	Mexico Publishes the List of Authorized Additives for Food and Beverages	7/21/06

We are available at <http://www.fas-la.com/mexico> or visit our headquarters' home page at <http://www.fas.usda.gov> for a complete selection of FAS' worldwide agricultural reporting.

FAS/MEXICO EMAIL

To reach us at FAS/Mexico:

AgMexico@usda.gov, ATOMexico@usda.gov, or
ATOMonterrey@usda.gov