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## Mexico

### Agricultural Situation

### Weekly Highlights and Hot Bites #3

**2007**

**Approved by:**

Suzanne Heinen

U.S. Embassy Mexico City

**Prepared by:**

Benjamín Juárez, Dulce Flores, and Jeff Nawn

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**Report Highlights:**

- MEXICO'S LARGE FARMERS CALL FOR LEGALIZATION OF GM CORN
- TRANSGENIC CORN GENERATES DEPENDENCE AND DOES NOT PRODUCE HIGH YIELDS, EXPERTS AFFIRM
- GOM MOVES TO LIMIT RISING TORTILLA PRICES
- CORN GROWERS ASK TO OPEN RAINFORESTS TO CULTIVATE CORN
- TRANSGENIC CORN PROPOSED AS SOLUTION TO TORTILLA CRISIS: CAN
- GOM PARTICIPATES IN SUGAR NEGOTIATIONS TO PREVENT STRIKE
- EGG PRICES INCREASE 25 PERCENT ON HIGHER CORN PRICES
- LOW TEMPERATURE FORCES U.S. TO LOOK TO MEXICO AND CHILE FOR PRODUCE

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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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## **MEXICO'S LARGE FARMERS CALL FOR LEGALIZATION OF GM CORN**

On Wednesday Mexico's largest corn farmers called for the legalization of genetically modified corn as a way to battle runaway prices for tortillas and other staple foods made from the grain. The new government of President Felipe Calderon came under fire last week for failing to bring down the record tortilla prices, which accompany almost every Mexican meal. Growing U.S. demand for corn-based ethanol has carried the grain to its highest prices in 10 years. Mexico imports millions of tons of corn from the U.S. every year. Grain farmers said they could not increase productivity enough to compete with their northern neighbors without embracing GM corn strains. Mexico prohibits biotech firms from planting genetically modified corn seeds, but said in October that it would soon change its position. Environmental groups and many small farmers staunchly oppose GM crops in Mexico, warning they could compromise the genetic diversity of corn strains that have been in cultivation for thousands of years. (120 Reuters 1/17)

## **TRANSGENIC CORN GENERATES DEPENDENCE AND DOES NOT PRODUCE HIGH YIELDS, EXPERTS AFFIRM**

Activists and non-governmental organizations commented that transgenic corn has been shown to not produce higher yields, and increases farmers' dependence on transnational companies. Furthermore, they argue that these corn varieties put at risk the country's genetic diversity. Transnational companies want to take advantage of the current tortilla price crisis and have already convinced governmental officials to expedite the issuance of permits for experimental corn cultivation, which could begin as early as March. (Source: La Jornada; 01/19/2007)

## **GOM MOVES TO LIMIT RISING TORTILLA PRICES**

On Thursday, January 18, President Felipe Calderon signed an agreement with businesses to curb soaring tortilla prices and to protect Mexico's poor from speculative sellers and a surge in the cost of corn. The agreement limits tortilla prices to 8.50 pesos (\$0.78) per kilogram and threatens to pursue legal actions against company officials found to be hoarding corn. Some stores have been selling tortillas for as much as 10 pesos (\$0.91) per kilogram. The agreement also raises quotas for duty-free corn imports to 750,000 metric tons (826,733 U.S. tons), most of which will come from the United States. The measure is to be reviewed for possible modifications on April 30. "The unjustifiable price increase of this product threatens the economy of millions of families," Calderon said. "We won't tolerate speculators or monopolists. We will apply the law with firmness and punish those who take

advantage of people's need." The rise in tortilla prices has been one of the first major challenges for the conservative who took office in December, putting him in an uncomfortable position between the interests of business and those of the poor. Tortilla prices increased by 14 percent in 2006, more than three times the rate of inflation, and they have continued to surge in the first weeks of 2007. The rise is partly due to U.S. ethanol plants gobbling up corn supplies and pushing prices as high as \$3.40 a bushel, the highest in more than a decade. But Calderon also blames price gouging by Mexican middlemen who grind corn into flour and sell it to thousands of tortilla sellers across the nation. "The increases in the international corn markets do not justify the tortilla hikes in this country in the last weeks," Calderon said. Under the agreement, corn flour will be limited to 5 pesos (\$0.46) per kilogram, and corn itself will not exceed 3.5 pesos (\$0.32) per kilogram. Mexico's major supermarket chains and bakers, including the world's largest tortilla maker, Monterrey, Mexico-based Gruma SA, signed the agreement. Lawmakers of the Democratic Revolution Party of leftist Andres Manuel Lopez Obrador had demanded the president impose price controls. Lopez Obrador, who narrowly lost the July election to Calderon, has seized the opportunity to blame the new government for deepening the misery of the poor. (Source: CNN.COM; 01/19/2007)

#### **CORN GROWERS ASK TO OPEN RAINFORESTS TO CULTIVATE CORN**

Corn growers asked the GOM and the Mexican Congress to open up 1.15 million hectares of national rainforest territory in order to grow corn. The groups stated that such an expansion would add stability to domestic tortilla prices. The request was made during a meeting with the Senate Rural Development Committee. (Source: Reforma; 01/18/2007)

#### **TRANSGENIC CORN PROPOSED AS SOLUTION TO TORTILLA CRISIS: CNA**

The President of the National Agriculture Council (CNA), Jaime Yesaki, stated that to resolve the core of Mexico's corn and tortilla issues it is urgent that the authorities give the green light for the production of transgenic corn. In a press conference Yesaki also prophesized that tortilla prices will stabilize around eight pesos, as was predicted on Monday by the Secretary of the Economy. (Source: Milenio; 01/18/2007)

#### **GOM PARTICIPATES IN SUGAR NEGOTIATIONS TO PREVENT STRIKE**

When 58 sugar mills went on a strike last November 2006, the worker unions and the sugar mill industry, represented by the Sugar Chamber, agreed to continue negotiations in January in order to lift the strike. However, if workers' demands on retirement and wages were not met by January 20, workers would go back on strike. The sugar mill workers union, STIARM, is now calling for a strike at 51 mills throughout the country. The other 7 mills would not participate since their union is independent and these mills have already reached an agreement with the union. The Secretary of Labor, Javier Lozano, is participating in the negotiations in order to find a solution and avoid the strike. (Source: Reforma, La Jornada 01/17/07)

#### **EGG PRICES INCREASE 25 PERCENT ON HIGHER CORN PRICES**

The high international corn prices have not only impacted the price of tortillas, but have also driven up egg prices by 25 percent in the first two weeks of January. Jorge García, Vice-president for eggs at the National Poultry Association, indicated that wholesale egg prices at

the farm gate increased from \$10 pesos/Kg (US\$0.90/kg) to \$12.50 pesos/Kg (US\$1.13/kg). In other states where there is no egg production, like Chihuahua, egg prices are \$18 pesos/Kg (US\$1.63/Kg). May corn contracts are over \$4 per bushel, compared to October 2006 corn prices of \$2.80 per bushel. Leading producers of beef, pork and chicken meat, milk and eggs, explained that as the price of corn increases, other feed grain prices increase as well, thus elevating production costs. (Source: Reforma 01/16/2007)

#### LOW TEMPERATURES FORCES U.S. TO LOOK TO MEXICO AND CHILE FOR PRODUCE

Low temperatures in the state of California, which have already forced Governor Arnold Schwarzenegger to declare a state of emergency, have also forced producers and distributors to scour produce markets in Mexico and Chile. The freeze has caused losses to about 50 percent of the state's citrus, and is threatening the avocado, carrot, and lettuce crops as well. Producers and distributors are organizing trips for their contractors and buyers to Mexico and Chile in order to guarantee production stocks and prevent further price escalation, which is already over 100 percent in the case of lemons and oranges. Other crops that have been affected by the low temperatures are broccoli, avocados, and ornate plants. (Source El Universal, Nacional 01/19/07)

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

NUMBER	TITLE	DATE
MX7004	Tortilla and Corn Price Surge	1/18/07
MX7003	Tax on the use of HFCS on Beverages was Eliminated	1/17/07
MX7002	Weekly Highlights and Hot Bites #2	1/12/07
MX7001	Weekly Highlights and Hot Bites #1	1/8/07
MX6105	Weekly Highlights and Hot Bites #48	12/22/06

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#### FAS/MEXICO EMAIL

To reach us at FAS/Mexico:

[AqMexico@usda.gov](mailto:AqMexico@usda.gov), [ATOMexico@usda.gov](mailto:ATOMexico@usda.gov), or [ATOMonterrey@usda.gov](mailto:ATOMonterrey@usda.gov)