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## Mexico

### Agricultural Situation

### Weekly Highlights and Hot Bites #8

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**Report Highlights:**

- MEXICAN TRUCKS TO BE ABLE TO TRAVEL FREELY THROUGHOUT U.S.
- ARIZONA FARMERS BLAST PLAN FOR RAIL LINE TO NEW MEXICAN PORT
- FARMERS DEMAND PROTECTION FOR CORN AND DRY BEANS
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Includes PSD Changes: No  
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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.

### **MEXICAN TRUCKS TO BE ABLE TO TRAVEL FREELY THROUGHOUT U.S.**

As many as 100 Mexican trucking companies would be able to travel freely throughout the U.S. under a program that officials hope will streamline the flow of goods across the border and enhance the U.S. and Mexican economies. The one-year pilot program, expected to begin within two months, will allow approved Mexican trucks to deliver their goods beyond the border zone for the first time since 1982. The program was authorized by the 1994 North American Free Trade Agreement, but was delayed more than 12 years due to concerns that Mexican trucks were not safe. The plan drew an angry reaction Friday from labor unions, safety advocates and members of Congress. They said Mexico has substandard trucks and low-paid drivers that will threaten national security, cost thousands of jobs and endanger motorists on the U.S. side of the border. (AP 2/24)

### **ARIZONA FARMERS BLAST PLAN FOR RAIL LINE TO NEW MEXICAN PORT**

A proposed new Mexican seaport could provide Union Pacific Corp. with a major business opportunity – trainloads of shipping containers full of imported goods to haul to points across the U.S. But southwestern Arizona farmers say the opportunity for Union Pacific could spell trouble for them. Union Pacific says plans for the project are still under development, but that it has started acquiring options to buy property for the U.S. portion of a 200-mile spur that container trains could travel between UP's main line near Yuma and the proposed seaport. With U.S. ports on the West Coast congested, Mexico has several projects in the works to expand existing ports or establish new ones to offload Asian imports. The U.S. portion of the line would need up to 30 miles of track in Yuma County. Farmers say the new line would take some farmland, and trains traveling the route would disrupt their agricultural operations and pose environmental and safety risks. (AP 2/24)

### **FARMERS DEMAND PROTECTION FOR CORN AND DRY BEANS**

Leaders from 50 rural organizations proposed that the government establish a high level inter-secretarial group, under the coordination of the Ministry of Agriculture (SAGARPA), to design and implement a plan to stimulate the production of corn and dry beans. These organizations signed the "Zocalo Declaration" and pledged to update and redesign the National Agreement on Agriculture, which is composed of 283 provisions and, among them, a request for the revision of NAFTA's agricultural chapter. (Source: La Jornada; 02/26/2007)

## **SPECIALIST CITE MECHANISMS TO PROTECT CORN AND DRY BEANS**

Legal and agricultural specialists outlined that Mexico has at least five legal mechanisms to use to protect corn and dry beans from the commercial opening with United States, one of which is actually codified in the North America Free Trade Agreement (NAFTA). The simplest way is for the Mexican Government to request consultations with the United States. In these consultations the government could express the risks that the corn and dry bean opening represents. Another option is to request consultations before the World Trade Organization (WTO). In this case Mexico would have to prove that the commercial opening would cause damage to the corn and dry bean sectors. Either way, an agreement on an extension of tariff rate quotas can be achieved. (Source: Reforma; 03/02/2007)

## **NAFTA RENEGOTIATION IS NOT VIABLE: JAIME YESAKI**

According to Jaime Yesaki, president of the National Agricultural Council (CNA), a revision of the agricultural chapter, or, furthermore, a full renegotiation of NAFTA is not a practical or feasible option and will not benefit Mexico. Yesaki added that this does not mean that actions should not be taken to "protect" sensitive commodities and related industries. "We'll keep an eye open to see if the proposals made by the President are oriented to increase productivity and enhance competitiveness for the corn, bean, milk and sugar industries," stated Yesaki. Mexican President Felipe Calderon announced that in his upcoming meeting with President Bush, he will address the need for better conditions to produce and trade the aforementioned products, in order to face 2008's full implementation of NAFTA. Yesaki talked about the need to promote productive investment in the rural sector in order to improve welfare conditions. CNA believes the priorities for the agricultural sector are: investment, training, financing and adequate crop planning. (EL SOL DE MEXICO, FEB. 26)

## **IMPORTS "SUFFOCATE" PORK MEAT COMMERCIALIZATION**

Pork meat sales in Mexico are being "suffocated" by price increases of feed grains, the lower costs of U.S. imports, and the unsteady sanitary conditions of domestic meat processing facilities, according to the Mexican Pork Growers Confederation. Enrique Dominguez, director of the Confederation, explained these three issues. First, feed grains have almost doubled in price during the last months, a price increase that cannot be passed on to the final consumer because consumers are very price sensitive. Secondly, Mexico imported 37% of last year's total national consumption of pork meat. So far this year imports account for only 27% of total consumption. According to the Ministry of Agriculture (SAGARPA) U.S. pork meat is imported at an average price of 15 pesos (U.S. \$1.36) per kilogram, while domestic production is offered at 22 pesos (U.S. \$2.00). Finally, only 20% of the pork meat processing facilities comply with the SAGARPA sanitary standard "TIF". Consequently, product from these plants has a very short shelf-life and thus loss of negotiation power for pork growers. (EL UNIVERSAL, FEB. 27)

## **CORN, CRUDE OIL AND NAFTA**

Ricardo Pascoe, political analyst, provides some insights on the current discussion regarding NAFTA's full implementation in 2008. Pascoe explains that Mexicans define themselves by their fears; fear of the colonial empire, fear of the U.S. shadow, and fear (and hatred) of authority figures. Today, Mexicans fear NAFTA will take away their only national treasures, crude oil and corn. The problem with corn is far different from what people are told. U.S. corn will not flood the Mexican market, because the United States will require more corn than

it produces, due to its ethanol production. This actually represents an opportunity for Mexican corn growers that can provide the type of corn that will be demanded by the United States. So the real problem with corn and tortilla prices after 2008 could originate from a shortage of product, not from a "U.S. corn tsunami". Other corn producers like Argentina, wish they had the market access opportunities that Mexico will have after 2008. Following a similar analysis on the fears Mexicans have regarding crude oil, Pascoe concludes by saying that NAFTA, crude oil and corn can be part of a short term scheme that can change economic conditions of the country, but it implies that Mexicans would have to visualize themselves as citizens having to put obligations first, before basic rights. "There's no need to fear the future... nationalism is a defensive and ignorant way of thinking that stalls economic development." (EL UNIVERSAL, FEB. 28)

### **RICE GROWERS WILL TAKE "ILLEGAL" U.S. SUBSIDIES TO THE WTO**

Mexican rice growers, supported by the Gabbert & Associates law firm (the same which successfully helped the Brazilian government against U.S. cotton subsidies), will lobby within Congress to get Mexico to join and lead a group of 24 countries to challenge illegal U.S. subsidies on rice within the WTO. Of the rice consumed in Mexico, 75% is imported, and Mexican domestic production has gone from 850,000 MT in 1985 to 270,000 MT in 2005. Manfred Schweitzer, from the G&A law firm commented that this would set a precedent for other crops like corn, soybeans, and wheat, in order to reduce subsidies that distort markets and impact food sovereignty and rural employment in developing countries. Another member of the firm, Bart Fisher, stated that subsidies applied to rice in the United States account for 38% of the production value and create a 5% distortion in international prices. (EL FINANCIERO, MAR. 01)

### **SAGARPA EMPHASIZES IMPROVEMENT IN AGRICULTURAL CONDITIONS**

Mexican Secretary of Agriculture, Alberto Cardenas, claimed that conditions in the agricultural sector in Mexico have improved in the last 15 years. In a meeting with the Senate's Agricultural Committee, Secretary Cardenas minimized the risk of NAFTA's full implementation in 2008. "My personal experience from 15 years ago, when I was a grower working the fields, is that there's been change in the rural sector where, in general, conditions have improved." He stated that 2008 will affect a few products and the ones already liberalized have shown no problems. "Our growers have responded, Mexico is not suffering food shortage and we have food at affordable prices for most of our population", he concluded. (REFORMA, MAR. 01)

### **MEXICAN AGRICULTURAL EXPORTS HAVE GROWN UNDER NAFTA**

Since NAFTA was implemented, Mexican agricultural exports have gone from U.S. \$3 billion to U.S. \$14 billion, a 336% increase, and exports account for 16% of the agricultural GNP. During a meeting between members of private agricultural associations and committees (representing almost 40,000 agricultural exporters) and the Mexican Secretary of Agriculture, rural investors claimed that, "...dependence on foreign foods has decreased thanks to a larger contribution of the agro-industrial complex." According to the associations' members, Mexico should not worry about food self-sufficiency, rather the priority should be to support competitive export industries and import the food products whose production is not viable in Mexico. The only request they have is that everyone plays under the same rules, referring to trade conditions applied to foreign imports. (MILENIO, MAR. 02)

## REPORTS RECENTLY SUBMITTED BY FAS/MEXICO CITY

NUMBER	TITLE	DATE
MX7015	Weekly Highlights and Hot Bites #7	2/23/07
MX7014	Dry Bean Auction Announcement	2/16/07
MX7013	Weekly Highlights and Hot Bites #6	2/16/07
MX7012	Dry Bean TRQ Announcement	2/16/07
MX7011	Weekly Highlights and Hot Bites #5	2/15/07
MX7010	Weekly Highlights and Hot Bites #4	1/30/07
MX7009	Announces a Corn Import TRQ from WTO Member Countries	1/29/07
MX7008	Mexico Announces TRQ (Cupos) for Milk Powder Imports from the United States for 2007	1/23/07
MX7007	Mexico Announces the TRQ for Milk Powder Imports from WTO Member Countries	1/23/07
MX7006	DDGS Market	1/19/07
MX7005	Weekly Highlights and Hot Bites #3	1/19/07
MX7004	Tortilla and Corn Price Surge	1/18/07
MX7003	Tax on the use of HFCS on Beverages was Eliminated	1/17/07

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