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## Mexico

### Agricultural Situation

### Weekly Highlights & Hot Bites Issue #8

### NAFTA Update Edition

2003

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**Report Highlights:**

PREFERRED BY U.S. CONSUMERS AND MARKET SHARE GAINED\*CITRIC AND TROPICAL FRUIT WINNERS\*BELL PEPPERS AND BROCCOLI: NAFTA CHAMPIONS\*CANTALOUPE AND WATERMELON ARE A SUCCESS\*UNAM RESEARCH GIVES GMOS THUMBS UP\*SALES INCREASE FOR WAL-MART MEXICO\*"SAFEGUARDS WILL OPEN NAFTA RENEGOTIATION TALKS"\*NAFTA PROTECTS U.S. FROM CHINESE EXPORTS\*ACCESS TO MEXICAN AVOCADOS\* CANADA REJECTS NAFTA RENEGOTIATION\*"THE BEST MEXICO HAS EVER HAD"\*RENEGOTIATION OF DATES\*COMMON AGRICULTURAL POLICIES\*FOR OLD TIMES SAKE "LET'S RENEGOTIATE NAFTA"\*MEXICO FILES WTO CLAIM AGAINST THE UNITED STATES\*NEW SOCIAL PACT\*"NAFTA RENEGOTIATIONS, NOT A SMART IDEA"\*OECD NOTES DIFFERENCES\*SENASICA FEARS NEW FDA FOOD CONTROL MEASURES

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Includes PSD Changes: No  
Includes Trade Matrix: No  
Unscheduled Report  
Mexico [MX]  
[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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### **PREFERRED BY U.S. CONSUMERS AND MARKET SHARE GAIN**

On February 13, 2003, Adalberto Gonzalez, Director General of the Trade and Surplus for the Secretariat of the Economy, said that Mexico had become the primary supplier of over 162 agricultural products to the U.S. as a direct result of NAFTA. Mr. Gonzalez added that from January to November 2002 exports totaled \$4,022 million. (Source: *Reforma*, 2/14/03)

### **CITRIC AND TROPICAL FRUIT WINNERS**

Mexican mangos and limes have been one of NAFTA's success stories. According to the USDA, Mexican lime exports increased by 276 percent since 1994. Mexican mango production has also grown by 26 percent since 1994. (Source: *Reforma*, 2/13/03)

### **BELL PEPPERS AND BROCCOLI: NAFTA CHAMPIONS**

Mexican exports of bell peppers and broccoli have gained ground in international markets and are among NAFTA's strongest agricultural success stories. However, Mexican farmers still have to monitor exchange rates, tax burdens, and supply and demand cycles to remain competitive. (Source: *Reforma*, 2/10/03)

### **CANTALOUPE AND WATERMELON ARE A SUCCESS**

Mexican cantaloupe and watermelon producers have also been among NAFTA's strongest agricultural success stories. Twenty-seven percent of U.S. cantaloupe imports come from Mexico, and Mexican watermelon production grew by 97 percent between 1994 and 2002, in part due to increased exports. (Source: *Reforma*, 2/12/03)

### **UNAM RESEARCH GIVES GMOS THUMBS UP**

On February 12, 2003, Agustin Lopez Munguia, a renowned researcher for the National Autonomous University of Mexico (UNAM) said that his research and studies have demonstrated that GMOs are apt for human consumption. He added, that "they have the promising potential to develop hypo-allergenic wheat and rice containing vitamin A that can reduce blindness." (Source: *La Jornada*, 2/12/03)

## **SALES INCREASE FOR WAL-MART MEXICO**

Wal-Mart's January 2003 sales reached 9.334 billion pesos (USD \$867 million), a 10.1 increase over sales for the same month in 2002. Banamex Citigroup analysts foresee a 9 percent increase in total sales for the fourth trimester of 2002. This growth reflects a slowdown as compared to the uninterrupted double-digit growth experienced during the last four years. To date, Wal-Mart Mexico operates 597 stores; 50 Sam's Clubs, 118 *bodegas* (wholesale stores), 75 super centers, 44 *Superamas*, 50 *Suburbia* department stores, and 260 restaurants, including 16 franchises. (Source: *El Financiero*, 2/10/03)

## **"SAFEGUARDS WILL OPEN NAFTA RENEGOTIATION TALKS"**

According to Miguel Alemán, the Governor of the State of Veracruz, the use of safeguards would likely encourage renegotiating NAFTA's agricultural chapter. Governor Alemán added that safeguards would pressure the annulment or renegotiation of NAFTA's agricultural chapter because the U.S. and Canada stand to lose more by not renegotiating. (Source: *El Financiero*, 2/12/03)

## **NAFTA PROTECTS U.S. FROM CHINESE EXPORTS**

On February 12, 2003, former Secretary of the Economy, Jaime Serra Puche, said that NAFTA had protected the Mexican export market from the overwhelming impact of Chinese exports to the United States. (Source: *El Financiero*, 2/13/03)

## **ACCESS TO MEXICAN AVOCADOS**

On January 11, 2003, Javier Trujillo, Director of the Mexican Phytosanitary Service (SENASICA), said that the USDA had delayed releasing an agreement permitting the access of Mexican avocados to the U.S. market in all 50 states. This delay could be interpreted as a type of "vindictive" action against the GOM's decision to close its borders to U.S. bean imports. (Source: *El Financiero*, 2/12/03)

## **CANADA REJECTS NAFTA RENEGOTIATION**

On February 10, 2003, Keith Christie, Canada's Ambassador to Mexico, categorically rejected the idea of renegotiating NAFTA, saying it was an entire package of agreements. Mexican Senator Jose Bonilla said that U.S. senators from the Senate Agricultural Commission were willing to renegotiate NAFTA's agricultural chapters, and they would discuss this issue at the binational parliamentary session in June. (Comment: The U.S. Senate Committee on Agriculture, Nutrition and Forestry press office, denied making claims to renegotiate NAFTA's agricultural chapter.) (Source: *Reforma*, *El Universal*, 2/13/03)

## **"THE BEST MEXICO HAS EVER HAD"**

On February 12, 2003, President Fox publicly praised Agriculture Secretary, Javier Usabiaga, as "the best that Mexico has ever had," one day after the opening of a public dialogue session between the federal government and farming groups. (Source: *Reforma*, *El Universal*, *La Jornada*, 2/13/03)

## RENEGOTIATION OF DATES

On February 11, 2003, the Permanent Agrarian Council (CAP), the National Farm Workers Confederation (CNC), El Barzón and "The Farmland Can't Stand Anymore" agreed to join the federal government's dialogue on agricultural policies, only after the government agreed to new conditions regarding the site and dates of the negotiations, which will now be prolonged by three days in March. The groups met individually with Secretary of Agriculture, Javier Usabiaga, and Secretary of Government Affairs, Santiago Creel, at the latter's office as the second day of the National Agricultural Discussions were taking place. (Source: *Reforma, El Universal, El Financiero, 2/12/03*)

## COMMON AGRICULTURAL POLICIES

On February 11, 2003, the Mexican Congress discussed meeting with U.S. and Canadian members of congress to discuss the renegotiation of NAFTA's agricultural chapter and to create common agricultural policies for the three member countries. These meeting would take place in March 2003. (Source: *El Financiero, 2/12/03*)

## FOR OLD TIMES SAKE "LET'S RENEGOTIATE NAFTA"

On February 12, 2003, during the third day of a national dialogue on agricultural policies, the Permanent Agrarian Council (CAP) and "The Farmland Can't Stand Anymore" presented a formal demand that NAFTA be renegotiated. The Secretariat of Government Affairs announced that it would set up a separate side table of discussions to attend to the immediate needs of farmers aside from those of the main farming groups. (Source: *Reforma, El Universal, El Financiero, 2/13/03*)

## MEXICO FILES WTO CLAIM AGAINST THE UNITED STATES

On February 10, 2003, Mexico filed a complaint to the World Trade Organization (WTO) against the United States regarding the antidumping measures. According to a new report released by the Institute for Agriculture and Trade Policy (IATP), five primary farm commodities are being dumped onto international global markets by the United States in violation of WTO agriculture rules. IATP researchers, Sophia Murphy and Mary Beth Lake, looked at the cost of production of corn, soybeans, cotton, wheat and rice, and compared the costs. In all cases, the commodities were sold below the cost of production, a practice known as export dumping. Moreover, the document details how the dumping begins right here at home, at the farm gate, where farmers are selling their crops for prices up to 40 percent below their cost of production. "The dumping of commodities on international markets hurts farmers all over the world, including U.S. farmers, by driving down the marketplace price," said Mark Ritchie, IATP President. Levels of dumping hover around 40 percent for wheat, between 25 percent and 30 percent for corn (maize) and levels have risen steadily over the past four years for soybeans, to nearly 30 percent. These percentages mean that wheat, for example, is selling for 40 percent less than it costs to produce. For cotton, the level of dumping for 2001 rose to a remarkable 57 percent, and for rice it has stabilized at around 20 percent. (Source: *La Jornada, El Financiero, 2/12/03*)

**NEW SOCIAL PACT**

On February 13, 2003, the Secretariat of Social Development (SEDESOL), announced that they were ready to start a new social pact. At the national agriculture discussion rounds, Josefina Vazquez Mote, Secretary of the Social Development, said that she would set a crusade to establish better public relations. (Source: *El Universal*, 2/14/03)

**"NAFTA RENEGOTIATIONS, NOT A SMART IDEA"**

On February 13, 2003, Institutional Revolutionary Party (PRI) affiliate-group of the National Agricultural Council (CAN), proposed what they called a viable option to renegotiating NAFTA's agricultural chapter. In their proposal, "The Trilateral Agricultural Policy," they seek to unite the concerns of the all NAFTA member countries in hopes of modifying market asymmetries and promote greater agricultural development. (Source: *El Universal*, 2/14/03)

**OECD NOTES DIFFERENCES**

A study conducted by the Organization for Economic Cooperation and Development (OECD) the National Statistics Institute of Mexico (INEGI) concluded that the United States gives \$117 per acre in subsidies to producers, in Mexico it is only \$30 per acre. The report also noted that Mexican producers only received \$81 per capita for farm support, while the U.S. producers received \$346. (Source: *El Financiero*, 2/14/03)

**SENASICA FEARS NEW FDA FOOD CONTROL MEASURES**

On February 13, 2003, Javier Trujillo Arriago, Director of the Mexican Phytosanitary Service (SENASICA), stated that "the application of onerous sanitary measures by the United States threatens to hurt Mexican horticulture exports to the United States." Mr. Trujillo added that tomatoes, mango and grapefruit are among the commodities that will receive the highest scrutiny by the Food and Drug Administration (FDA). (Source: *Reforma*, 2/14/03)

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

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MX3021	Hot Bites Issue #7	02/11/03

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