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Report Highlights:

NATIONAL AGRICULTURE DISCUSSIONS* CATTLE FARMERS THREATEN TO JOIN NATIONAL PROTESTS* "EVERYONE IS RESPONSIBLE FOR THE RURAL SECTOR"* "ELIMINATE DISRUPTIVE TRADE PRACTICES AND ASYMETRIES"* FARMING GROUPS BLOCK INTERSTATE HIGHWAY* GETTING READY FOR 2008: MEXICAN DRY BEAN FARMERS* BANK LENDING TO BUSINESSES INCREASED* CATTLE FARMERS THREATEN TO DUMP MILK* NO MAGIC WAND SOLUTIONS* NAFTA BENEFITS MEXICAN HORTICULTURE FARMERS* FARMING GROUP SCHISM* STATE AGRICULTURE SECRETARIES OPPOSE NAFTA* PRIVATE SECTOR PROPOSES PUBLIC POLICY REFORM* PORK PRODUCERS OPEN TO PROPOSALS* RURAL SECTOR: PREY TO CORRUPTION* PRI PROPOSES 10 NEW POLICY RECOMMENDATIONS* CNA MAKES RECOMMENDATIONS* EQUAL TREATMENT TO ALL PRODUCERS

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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CATTLE FARMERS THREATEN TO DUMP MILK

On February 7, 2003, Vidal Martín, President of the Cattle Farmers Association of Tizayuca, warned that if the federal government failed to renegotiate NAFTA's agricultural chapter, approximately 10,000 farmers would protest by dumping milk and joining national farming group protests. Mr. Martín added that if the government does not defend domestic milk producers with national quality controls to prevent the sale of milk serum and serum derivative imports from the United States and Canada the dumping would begin as early as March 2003. (Source: *La Jornada, El Financiero*, 2/8/03)

NO MAGIC WAND SOLUTIONS

On February 7, 2003, President Vicente Fox stated that the rural sector's problems "would not be solved by a magic wand, or with threats, demands or pressure." President Fox added that only through dialogue and consensus would the rural sector crisis be resolved. (Source: *Milenio Diario*, 2/8/03)

GETTING READY FOR 2008: MEXICAN DRY BEAN FARMERS

On February 7, 2003, the State of Zacatecas dry bean farmers proposed greater technical support for their sector in order to help them with NAFTA competition and in preparation for the final tariff phase-out in 2008. (Source: *Reforma*, 2/8/03)

BANK LENDING TO BUSINESSES INCREASED

Bank lending to businesses increased in 2002 for the first time in four years. According to the Central Bank of Mexico (BANIXCO), bank loans to businesses reached 555 billion pesos (USD 50 million) in 2002, a 2.1 percent increase over 2001. Experts believe this increase is due to improved interest rates and because companies preferred loans in pesos instead of dollars. (Source: *El Universal*, 2/10/03)

NATIONAL AGRICULTURE DISCUSSIONS

On February 6, 2003, farming groups and government officials formally initiated a dialogue to develop national agricultural state policies. President Fox stated that this was a historic opportunity to transform the rural sector and abandon policies guided by political interests. Farming groups continue to demand the renegotiation of NAFTA's agricultural chapter. President Fox insisted that the agricultural sector had benefited from NAFTA, and cited that only 12 products had been hurt by NAFTA. Fox added that "farmers should not make such a big deal out of the recent tariff elimination by claiming the world was coming down upon them." (Source: *Reforma, Universal, El Financiero*, 2/7/03)

CATTLE FARMERS THREATEN TO JOIN NATIONAL PROTESTS

On February 6, 2003, cattle ranchers in Tizayuca threatened to join agricultural protests organized by the Permanent Agrarian Council (CAP) and "The Farmland Can't Stand Anymore," unless the federal government renegotiated NAFTA guidelines regarding milk product exports. (Source: *Reforma*, 2/7/03)

"EVERYONE IS RESPONSIBLE FOR THE RURAL SECTOR"

On February 7, 2003, Secretary of the Economy, Fernando Canales Clariond, insisted that every farm worker is an entrepreneur in the rough and must be held responsible for the modernization of their sector. Secretary Canales Clariond, added that he would help redefine public policies so that by 2008, the year of NAFTA's final tariff elimination, Mexico's agricultural problems would be resolved. (Source: *La Jornada*, 2/8/03)

"ELIMINATE DISRUPTIVE TRADE PRACTICES AND ASYMETRIES"

On February 7, 2003, Permanent Agrarian Congress (CAP) leader, Rafael Galindo, stated that his organization would demand the elimination of disruptive trade practices and market asymetries that place Mexico at a severe disadvantage with its NAFTA partners. (Source: *El Universal*, 2/8/03)

FARMING GROUPS BLOCK INTERSTATE HIGHWAY

On February 7, 2003, protesting farming groups closed the Cuernava-Acapulco Interstate Highway by blocking access to traffic going in both directions. The farming groups demanded the federal government declare a national moratorium on the rural sector. None of the major farming groups claimed leadership for the demonstrations. (Source: *El Universal*, 2/8/03)

NAFTA BENEFITS MEXICAN HORTICULTURE FARMERS

According to the USDA, NAFTA has benefited Mexicans fruit and vegetable farmers, who have increased their exports of many products by 40 percent, including broccoli, asparagus, tomatoes, squash, cucumbers, limes, watermelons, and mangoes. One month after the repeal of agricultural tariffs, Mexico's imports of agricultural products from the United States and Canada have not increased. (Source: *Reforma*, 2/10/03)

FARMING GROUP SCHISM

Farming groups refused to participate in the opening sessions of a state-sponsored dialogue to reform agricultural policies, stating that the proposed site of negotiations in the southern part of Mexico City was too far away. They also complained that Agricultural Secretary, Javier Usabiaga, had behaved "frivolously" toward the negotiations. Secretary of Government Affairs, Santiago Creel, called for farming groups and the federal government to overcome their distrust of one another in order to prevent the talks from breaking down. (Source: *Reforma, Universal, El Financiero*, 2/10/03)

STATE AGRICULTURE SECRETARIES OPPOSE NAFTA

Fifteen out of 24 state agriculture secretaries consulted by the newspaper *Reforma* said they favored the renegotiation of NAFTA's agricultural chapter to protect farmers in their states. The states are Aguascalientes, Campeche, Chiapas, Estado de México, Guerrero, Hidalgo, Jalisco, Morelos, Oaxaca, Puebla, Querétaro, Sinaloa, Tlaxcala, Yucatán and Zacatecas. (Source: *Reforma*, 2/10/03)

PRIVATE SECTOR PROPOSES PUBLIC POLICY REFORM

Representatives from the private sector presented the federal government with 18 immediate action proposals to increase Mexico's competitiveness in the short-term and to create jobs. The action proposals do not require the approval of the legislative branch, and include areas such as agricultural safeguards, financial deregulation, and control over the Customs Service and contraband merchandise. (Source: *Reforma*, 2/10/03)

PORK PRODUCERS OPEN TO PROPOSALS

U.S. pork producers said they "were open" to listening to proposals from their Mexican counterparts to negotiate temporary safeguards against U.S. pork imports, similar to an agreement negotiated a few weeks ago between U.S. and Mexican poultry producers. (Source: *Reforma*, 2/10/03)

RURAL SECTOR: PREY TO CORRUPTION

On February 7, 2003, the Revolutionary Democratic Party national director, Rosario Robles Berlanga, said that the rural sector has suffered due to the corruption of past administrations and fraudulent social programs like BANRURAL (Rural Bank of Mexico) and CONASUPO (subsidized food market), under the 70-year PRI party hegemony. (Source: *La Cronica*, 2/8/03)

PRI PROPOSES 10 NEW POLICY RECOMMENDATIONS

On February 10, 2003, Revolutionary Institutional Party (PRI) stated that they are gearing up for agricultural policy reforms. At least 10 new recommendations will be discussed including the revision of the code on international trade and the law on agriculture. The PRI will also discuss drafting procedural law that would indicate how international disputes and trade with other countries should be conducted. (*Reforma*, 2/10/03)

CNA MAKES RECOMMENDATIONS

On February 10, 2003, the National Agricultural Council (CNA) stated that they wanted greater public funds invested in agricultural policy for the growth of programs like the *Procampo*, and more infrastructure building and planning. The CNA stated that increased investment to improve roads, public transport and better communication with NAFTA partners will be among the main recommendations they propose at the national agricultural discussion round tables. (Source: *El Financiero*, 2/10/03)

EQUAL TREATMENT TO ALL PRODUCERS

On February 10, 2003, Roman Gómez, President of the Corporation for the Solutions of Controversies on Fruits and Horticulture Farming in Mexico, stated that the dialogue between government officials should stay open and not focus on giving preferential treatment to less

competitive farming sectors. Mr. Gómez also mentioned his contentment with the horticultural sector and gave much acclaim to its potential. (Source: *Milenio Diario*, 2/10/03)

REPORTS SUBMITTED RECENTLY BY FAS/MEXICO CITY

Number	Title	Date
MX3019	Mechanism to allocate the tariff rate quota for poultry	02/04/03
MX3020	Hot Bites Issue #6	02/07/03

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