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Report Highlights:

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Includes PSD Changes: No
Includes Trade Matrix: No
Unscheduled Report
Mexico [MX1]
[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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CAMPESINOS CAN BE ENTREPRENEURS: USABIAGA

Secretary of Agriculture Javier Usabiaga-Arroyo stated that farmers (campesinos) can and should be entrepreneurs. "Whoever doubts this is underestimating the capacity and strength that the rural population has and ignores its desires for progress," Usabiaga said. He also said it's not enough to give campesinos more land, subsidies, and to increase prices of agricultural products. He further stated, "More than ever, they have to establish economic organization and cooperation with productive goals." (Source: *El Economista, El Financiero, La Jornada*, 8/21/03)

DOMESTIC INDUSTRY OPPOSED TO SUGAR IMPORTS

The Special Commission from the Senate stopped the intentions of the Secretariat of Economy to import 122,000 MT of refined sugar because they believe imports can damage the domestic market structure. The Senators demanded that Economia show sugar production inventories so they could have full knowledge as to whether there will be a shortage of supplies. According to Economia, sugar imports are to supply industries, like the Chocolate Industry, that use refined sugar, which cannot be substituted for other sweeteners. It was noted that the expropriated mills and the special 20-percent tax imposed on the use of HFCS in beverages, increased prices, and improved the quality of sugar. The Special Commission believes that sugar imports could distort this balance. Furthermore, the President of the Chamber for the Sugar and Alcohol Industries pointed out that there are no sugar shortages domestically. (Source: *La Jornada, El Financiero, Reforma*, 8/21/03)

...BUT SOME SUGAR USERS DO NOT AGREE

The Chocolate and Sweets Industries consider their business at risk because of rising domestic sugar prices and a lack of refined sugar supplies. These industries are analyzing the possibility of moving their businesses to other countries like Guatemala. Sugar prices have increased more than 10 percent so far this year and glucose has increased 30 percent, due in part to the scarcity of sweeteners such as HFCS. Some companies would like to import refined sugar, however, without a permit, companies would have to pay high duties. (Source: *Reforma, la Jornada*, 8/21/03)

SUGAR COMPANY MIGHT RECOVER ITS SUGAR MILLS

According local reports, a sugar company won court injunctions against the government to regain four of its six sugar mills that were expropriated on September 3, 2001. The Grupo Azucarero Mexico (GAM) won court injunctions for the following mills: Benito Juárez

(Tabasco), Lazaro Cardenas, (Michoacán), El Dorado (Sinaloa), and Jose Maria Martinez (Jalisco). However, the injunctions have to be ratified in 10 days, giving the government time to review the case and take further action. The President of GAM is confident that the mills will be recovered from the government by the end of the year. GAM expects to receive US\$80 million dollars in compensation for the other two mills, San Pedro and San Francisco (Veracruz), which belonged to the group. This payment will be used to pay former debts to the government of approximately US\$56 million dollars. (Source: *La Jornada, El Financiero, Reforma, Economista, Universal*, 8/21/03)

THE GOVERNMENT WILL APPEAL COURT INJUNCTIONS ON SUGAR MILLS

As previously reported, the Grupo Azucarero Mexico (GAM) won court injunctions for four of its sugar mills. However, the GOM announced that it would appeal the court injunction won by the GAM group. Secretary of Agriculture Javier Usabiaga-Arroyo indicated that this situation does not pose a risk to the GOM plan to return the mills to financial health and sell them to the private sector through public auctions. (Source: *La Jornada*, 8/23/03)

INDUSTRY AFFIRMS THERE ARE ENOUGH SUGAR SUPPLIES

The Chamber for the Sugar and Alcohol Industries indicated that since the 20% tax was imposed on HFCS usage in beverages, the soft drink industry has consumed 1.7 million tons of sugar per year. The 2002/03 production of sugar was 4,927,000 MT, and consumption is estimated at 4,750,000 MT, leaving stocks of 177,000 MT. The President of the Chamber, Mr. Menchaca, indicated that for years sugar prices were under the cost of production because of large supplies. The tax on HFCS has helped to generate additional demand in the domestic market that now has fewer stocks. Due to speculation generated by some sugar consuming industries, the Secretariat of Economia has agreed to open a tariff rate quota to import sugar, in order to "tell the market there will be no shortages whatsoever." (Source: *Economista*, 8/25/03)

SUGAR PRICES ON THE RISE

Assuring that prices for final consumers would not be affected significantly, FEESA (*Expropriated Companies from the Sugar Sector*) General Director Francisco Fernandez Capistran announced that in September 2003 sugar prices would be increased 3 percent. Capistran said that FEESA is making efforts to avoid an impact on final consumer prices by shifting the cost to distributors. Moreover, he said that sugar purchases under an additional import quota would be discussed in early September. (Source: *Reforma*, 8/26/03)

THE PAMPHLET "DON'T BE FOOLED," SEEKS TO IMPART INFORMATION ON TRANSGENIC PRODUCTS

On August 24, 2003, several actresses and a singer presented the pamphlet "Don't Be Fooled," which explains to consumers, in a simple way, what transgenic foods are, why they are in food and what food brands contain them. Also, the pamphlet gives information on different food options, without transgenics, that are sold in supermarkets. Greenpeace was one of the main promoters of this event. (Source: *La Jornada*, 8/24/03)

TRANSGENIC PRODUCTS CONTINUE TO ENTER INTO MEXICO WITH GOVERNMENT'S PROTECTION: GREENPEACE

According to Greenpeace, transgenic products continue entering Mexico with the protection of the Secretaries of Agriculture (SAGARPA) and Economy (SE). They also said these products are contaminated and are adversely affecting the environment and domestic corn

production. Transgenic corn has been imported into Mexico since 1999. Also, the environmentalist organization requests that the Mexican Secretary of Environment and Natural Resources, Victor Lichtinger, state at the upcoming WTO Ministerial in Cancun that environmental agreements should not be agreed upon in that forum. (Source: *Excelsior*, 8/24/03)

MEXICO'S TEXTILE/APPAREL EXPORTS TO THE UNITED STATES TURN WEAK IN FIRST HALF 2003

At the root of Mexico's textile and apparel sector problems is its loss of market share in the U. S. market. During the first half 2003, U.S. textile and apparel imports grew 14.16 percent in volume. In comparison, the volume imported from Mexico fell 9.97 percent. Such a loss in market share has major ramifications for Mexico's textile and apparel sector. Apparel exports to the U.S. fell 4.65 percent in the first six months of 2003, however, non-apparel exports plunged 15.10 percent. The decline has been spread throughout all major categories. Yarn exports have fallen 6.19 percent, fabrics are down 16.85 percent, cotton products down 5.17 percent and man-made fiber products have declined 12.34 percent. (Source: Mexico's Representative of Cotton Incorporated, 8/26/03)

POOR COUNTRIES PRESENT AGRICULTURAL PROPOSAL BEFORE THE WTO

Mexico and 16 developing countries presented a new proposal regarding agriculture before the World Trade Organization (WTO). They consider the European Union and U. S. proposals insufficient because they do not eliminate agricultural export subsidies nor provide enough internal support to agriculture. Eduardo Perez-Mota, Mexico's ambassador to the WTO, explained that the 17 countries that signed the new proposal want other voices to be heard "beyond the big players." (Source: *El Financiero*, 8/21/03)

COMMON FRONT AGAINST THE CAFTA NEGOTIATIONS

Latin American Rural Organizations have decided to create a united front of agricultural producers against the way that their governments are negotiating the Central America Free Trade Agreement, particularly in agriculture. According to these organizations, the agricultural chapter is a duplicate of NAFTA's, which in their opinion, has impoverished Mexican farmers. (Source: *El Financiero, Milenio, Reforma*, 8/25/03)

REPORTS SUBMITTED RECENTLY BY FAS/MEXICO CITY

Number	Title	Date
MX3110	Hot Bites Issue #40	8/20/03
MX3112	SAGARPA Postpones New Import Requirement for U.S. Grains at Veracruz Port	8/20/03
MX3113	Mexico Announces Final Standard on Ham Denomination (NOM-158-SCFI-2003)	8/21/03
MX3114	Livestock Annual Report	8/21/03
MX3115	Mexico Lifts Ban on Imports of Horses	8/22/03

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