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Includes PSD Changes: No
Includes Trade Matrix: No
Unscheduled Report
Mexico [MX1]
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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.

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GOVERNMENT TO CUT IRRIGATION DISTRICT'S BUDGET...FOX TO COMMIT AN OUTRAGE AGAINST NATIONAL FIELDS

President Fox plans to reduce the budget for the National Water Commission to \$3,524 million pesos (approximately US\$309 million dollars), which, according to a local newspaper, will stop the development of Mexican agriculture. The article further states that this reduction will obstruct the programs of rehabilitation and modernization of the irrigation districts as they will only receive \$378.3 million pesos (approximately US\$33 million dollars) for 2004 compared to \$799 million pesos (approximately US\$70 million dollars) in 2003. (Source: *El Debate* of Sinaloa, 11/21/03)

CONGRESSIONAL AGRICULTURAL COMMISSION DRAFTS PROPOSAL TO ADDRESS U.S. BIO-TERROR ACT (BTA); CONGRESSIONAL AGRICULTURE COMMISSION PRESIDENT (PRI) PROPOSES STEPS TO INITIATE A "MIRROR LAW" TO OFFSET BTA

On November 18, 2003, the Mexican Congressional Agricultural Commission met to draft a proposal requesting that the Executive Branch make more of an effort to disclose how the GOM will counter expected negative effects on Mexican exports to the United States resulting from implementation of the 2002 Bio-Terror Act (BTA). Within this proposal, the Commission is requesting more public disclosure, training for exporters, and funds to modernize export infrastructure. During the forum discussions, the President of the Agricultural Commission, Cruz Lopez Aguilar (PRI), encouraged an initiative to create a "Mirror Law" to offset the BTA. The petition was approved by a majority vote and further communication was requested. (Source: Web Page of the *Camara de Diputados, H. Congreso de la Union*)

NEW IMMIGRATION AND CUSTOMS INSPECTIONS AFFECT COMMERCE

"Since 2001, the U.S. government has added more obstacles to food imports," says Arnold Benson, a food commerce man. Benson is one of many businessmen affected by the new immigration and customs inspection law that were put in place after the September 11 terrorist attacks in the United States. Benson said the new laws have affected his business a great deal due to the obstacles imposed on fish imports by the U.S. Government. He further said that the security measures start when the fish is taken from the sea and continue until the fish are sent to the border in trucks. He stated, "The U.S. government is more worried about terrorism and making their customs and immigration laws more effective rather than the plight of the working people. The U.S. government is putting working people between a rock and a hard place." (Source: *El Bravo de Matamoros*, 11/21/03)

MEXICAN RESTAURANTS IMPORTANT PURCHASERS OF FOOD PRODUCTS

While commenting favorably on the Fox Administration's proposal to lower the value added tax from 15 percent to 10 percent and to apply it to food products, the President of the Mexican Restaurant Association, CANIRAC, expounded on the importance of the restaurant sector to the Mexican economy. Since restaurants already apply the value added tax, the change would likely lead to an increase in annual restaurant sales. He also noted that while the average Mexican family spends 4 percent of its annual income on education and the same amount on soft drinks, it spends 9.8 percent on eating out. Finally he stated that the 220,000 restaurants in Mexico spend about US\$4.8 billion dollars on food purchases every year. (Source: *El Financiero*, 11/12/03)

CORN GROWERS DEMAND FAIR PRICES

Enrique Habberman Gastelum, President of the Farmers Association from Culiacan River, stated that corn producers from Sinaloa demanded a price of 1,887 pesos per metric ton (roughly US\$168.00/MT) for the upcoming winter harvest. The reason for the increase is due to higher costs for fertilizers, transportation, and miscellaneous items. He pointed out that the price of 1,600 pesos/MT (US\$142.45/MT), including the governmental support farmers obtained during the 2002/03 cycle, won't be enough to cover the substantial increases in the upcoming cycle. (Source: *EL Financiero*, 11/17/03)

MEXICO LOSER WITH NAFTA

A study published by the Carnegie Endowment for International Peace concludes that the North America Free Trade Agreement (NAFTA) failed to generate substantial job growth in Mexico, hurt hundreds of thousands of subsistence farmers and had "minuscule" net effect on jobs in the United States. The Carnegie Endowment, an independent, Washington-based research institute, issued its report on Tuesday, November 18, 2003. The report seeks to debunk both the fears of American labor that NAFTA would lure large numbers of jobs to low-wage Mexico, as well as the hopes of the trade deal's proponents that it would lead to rising wages, as well as declines in income inequality and illegal immigration. "On balance, NAFTA's been rough for rural Mexicans," said John J. Audley, who edited the report. "For the country, it's probably a wash. It takes more than just trade liberalization to improve the quality of life for poor people around the world." The Carnegie findings strike a much more pessimistic note than those of a World Bank team that concluded in a draft report this year that the trade accord "has brought significant economic and social benefits to the Mexican economy." The authors of the report say developing countries have much to learn from Mexico's mistakes in the NAFTA deal. (Source: *Reforma, El Universal*, 11/21/03)

LA PAZ, BAJA CALIFORNIA SUR, WILL RECEIVE IMPORTANT FINANCIAL INVESTMENT IN 2004

Víctor Manuel Guluart, Mayor of La Paz (capital city of Baja California Sur), announced several new projects bringing financial investments in the area in 2004. A group of national investors are looking forward to the operation of what will be the Hotel Gran Baja, which will give a boost to the tourist zone of Playa Tecolote. He also anticipates the investment of two important retailers (Costco and Comercial Mexicana) in La Paz. (Source: *El Sudcaliforniano*, 11/24/03)

(ATO/Monterrey Note: It should be noted that Costco, Soriana and Centro Comercial Californiano will all be operating in Los Cabos, Baja California Sur by December 2003. This gives additional and distinct distribution channels for those U.S. companies interested in exporting products for the hotel and restaurant sector.

REPORTS RECENTLY SUBMITTED BY FAS/MEXICO CITY

Number	Title	Date
MX3158	Weekly Highlights & Hot Bites Issue #52	11/18/03
MX3159	Mexico's Lower Chamber Opposes Proposal to Eliminate HFCS Tax	11/19/03

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