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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.

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.

MEXICO NEEDS MORE TIME FOR FDA BIOTERRORISM REGISTRATION

On Tuesday, December 9, 2003, an initiative was presented to the Mexican Lower Chamber by Congressman Juan Jose Garcia Ochoa, proposing a request through President Fox to the Government of the United States to postpone the registration requirement of the Bioterrorism Law for at least six months so that Mexican exporting firms can fulfill all the trade requirements and address the concerns of this new law with the trading partners of the North American Free Trade Agreement (NAFTA). (Source: *Parliamentary Gazette*, 12/9/03)

FOX PROMISES MORE SUPPORT FOR THE COUNTRYSIDE IN 2004

President Fox said that although taxation reform has not been approved by the Mexican congress, there would be more support for the Mexican countryside in 2004. In an event where a remote sensing station equipped with cutting edge technology to monitor agricultural areas was inaugurated, Fox said, "Now that we are in the middle of the road, we can see that the harvest season is in sight and for the remaining time our efforts to support the countryside will not be diminished," making reference to the first and second half of his six year administration. To support his statement, President Fox stated that rural financial support was increased 26 percent, while 56 percent of farmers were benefited with the implementation of a preferential energy rate as well as the availability of low priced fuel (diesel). Source: *El Universal*, 11/30/03)

SUGARCANE PRICE COULD HAVE A LARGE INCREASE FOR MY 2003/04

Sugarcane producers will request an increase of approximately 11.3 percent for MY 2003/04. This increase is higher than the increase for MY 2002/03 due to the formula to calculate sugarcane prices that includes the wholesale standard sugar prices during 2003. Prices during 2003 were higher and are presently at about $305 pesos per 50 kg (US$26.75/50 kg). It is important to consider that these estimates are calculated under the assumption that the 20-percent HFCS special tax for beverages and soft drinks is maintained. (Source: *Financiero*, 12/2/03)
Note: The reference price for MY 2002/003 increased to 4,766.41 pesos/MT (US$407.38/MT) from 4,561.08 pesos/MT (US$500.66/MT) in MY 2001/02. The formula used in determining the reference price gives growers approximately 57 percent of the wholesale reference price of a ton of standard sugar.

SMALL INDUSTRY CONCERNED DUE TO SUGAR SHORTAGES

Small industry is concerned due to the lack of supplies of standard sugar at the wholesale market, as well as the high price it has reached. Prices of standard sugar were about $258.50 pesos per 50 kg (US$25.37/50 Kg) during November 2002 (prices increased for the same period of time in 2003 to about $307.50 pesos per 50 kg (US$26.97/50 kg). The government's distribution company, FEESA, which manages the expropriated mills, indicated that the shortage is partly due to the fact that these 27 sugar mills do not distribute to small buyers, and also at this time of the year, it is considered normal to have short sugar outputs. However, the situation will normalize by January 6, 2004. (Source: *Reforma*, 12/2/03)

NO RESOLUTION AGAINST THE UNCONSTITUTIONALITY OF THE HFCS TAX

The Mexican company SIM Alimentos filed a lawsuit in April 2003 in the Federal Court of Administrative Justice against the imposition of the 20-percent duty on HFCS in soft drinks and beverages. The suit maintained that this tax was unconstitutional because it was also applied to other items (water, flavors, labels, containers, and bottles) forcing the industry to reduce production and reduce their workforce. However, the Court decided that it had no authority to decide about the unconstitutionality of the implementation of the special tax on HFCS. (Source: *Financiero*, 11/28/03)

MEXICAN TURKEY MARKET SHARE DIMINISHED DUE TO U.S. IMPORTS

According to the Poultry Producers Association (UNA), the turkey market in Mexico is dealing with the liberalization of tariffs to U.S. imports and a reduced per capita consumption of 2 Kg. Parson, Mezoro and three other Mexican companies have seen their business and participation reduced as the market is dominated by U.S. turkey imports. From an expected consumption of 172,000 MT in 2003, about 13,163 MT will be supplied by domestic production and the difference will have to be imported. The Mexican Meat Council indicated that the tariff liberalization that was in effect for 2003, put turkey producers in jeopardy and they will face inequalities with their U.S. counterparts. (Source: *Financiero*, 12/1/03)

MEXICO TO BECOME A POULTRY EXPORTING COUNTRY

During the 42nd National Poultry Congress, the President of the Poultry Producers Association, Cesar de Anda, forecasted that Mexico will become a poultry exporting country, conditioned only by the progress of the domestic fiscal and energy reforms. De Anda believes that three plants will be authorized to export to the United States in the first half of 2004, and will receive the same recognition status that USDA gave to Sonora and Sinaloa in 2000 for being free of phytosanitary poultry diseases. The plants are in Yucatan, Nuevo Leon, La Laguna and Chihuahua. The Senior Agricultural Attaché from the U.S. Embassy in Mexico City indicated during the Congress that by December 15, 2003, USDA will send a team to visit the poultry plants in Yucatan and Jalisco to inspect, and if they are approved, the Mexican slaughtering system will be an equivalent system to the one in the United States. (Source: *Financiero*, 12/5/03)

...MORE ON POULTRY AND THE BIOTERRORISM LAW

Concerns about the enforcement of the Bioterrorism Law were evident during the 42nd National Poultry Congress. FDA specifically indicated that products with more than 3 percent of meat and regulated by the U.S. Department of Agriculture are not included within the measures of the Bioterrorism Law. However, it is still not clear if the poultry sector will be affected. (Source: *Jornada*, 12/5/03)

TURKEY PRODUCTION COMPANY READY TO EXPORT TO THE UNITED STATES

Mezquital del Oro, a turkey production company, is getting ready to export to the United States in 2004. The plant, Mezoro, in Sonora, will be the first to be able to export since USDA has recognized Sonora as well as Sinaloa as free of avian diseases. The exportation will depend on a validation process of the Mexican slaughtering system USDA will conduct in December 2003. This company produces 40 percent of domestic production. The best possibilities for export to the United States are within the Latin population that have good consumer purchasing power and know the Mexican brands. (Source: *Financiero*, 12/8/03)

MEXICAN POULTRY PRODUCERS COULD UNITE WITH U.S. PRODUCERS

During the 42nd National Poultry Congress, poultry producers from Mexico and the United States explored the possibilities of uniting for export purposes and together facing the challenge that Brazil represents. Cesar de Anda, President of the National Poultry Producers (UNA), indicated that this organization will establish a common market with trans-border investments in the next few years. James Sumner from USAPPEC, advised Mexican producers to take advantage of the growing tendencies towards fresh poultry consumption by Hispanics in the United States, and also to unite with their U.S. counterparts to be the most effective exporters in the world market. (Sources: *La Jornada*, 12/6/03; *Financiero*, 12/8/03)

DRY BEAN GROWERS DEMAND ATTENTION

Mexican dry bean growers announced that they are going to organize a series of demonstrations because the governmental program to market dry beans in Zacatecas has not worked. Petronilo Valadez, leader of the Committee for the Dignity and Defense of the Dry Bean Price, revealed that despite the fact this government program established a price between 5 and 5.75 pesos per kilo (roughly US$ 0.44–0.51 dollar per kilo), its implementation has been rejected by dry bean growers. Valadez pointed out that those responsible for the storage centers apply exaggerated and rigorous quality standards that cannot be met, therefore, growers cannot sell their beans. The growers' leader pointed out that as the new program has been unworkable, growers have sold their dry beans to middlemen for between 2-3 pesos per kilo (US$ 0.18–0.26 dollar per kilo). (Source: *Reforma*, 11/23/03)

FRESH FRUIT SUPPLY AND PRICE STEADY

Price reports from the Mexico City Central Market (*Central de Abastos*) show steady supply and pricing for the last week of November 2003. Local apple prices remained unchanged at 290 pesos (US$26.36 dollars) for golden delicious and 230 pesos (US$20.91 dollars) for red delicious, respectively, per box of 20 kg. Similarly, imported D'Anjou pears, size 100, stayed at 240 pesos (US$21.82 dollars) per box of 18 kg. There was some upward movement on imported globe grapes, increasing 20 pesos (US$1.82 dollars) to 180 pesos (US$16.36 dollars) per box of 9 kg, and for local red grapefruit, increasing 0.10 peso (US$0.09 dollar) to 2.30 pesos (US$20.91 dollars) per kg. Information on Mexican agricultural product pricing, from fruits and vegetables to livestock, is available in English at www.economia-sniim.gob.mx. (Source: *El Financiero*, 12/1/03)

THE RUSSIANS - POLES, SWEDES AND AMERICANS - ARE COMING AS VODKA SALES INCREASE

Although traditionally tequila, rum and brandy account for 90 percent of liquor consumed in Mexico, new drinkers are turning more and more to vodka. Vodka captures only six percent of liquor sales, but consumption is growing at 2-3 percent per year. About 30 percent of vodka is produced locally and 70 percent is imported from Russia, Poland, Sweden and the United States. The increase in vodka sales is due mainly, according to experts, to marketing targeting 18-25 year olds, with a particular emphasis on lime, orange, pineapple and vanilla-flavored vodkas. One large department store chain has gone so far as to market numbered bottles of vodka at very high prices. Prices range from 40 pesos (US$3.63 dollars) per 750 ml bottle for local vodka to over 200 pesos (US$18.18 dollars) per bottle of high quality imported product from Sweden, Poland or Russia. It should be noted that vodka is much less expensive than tequila of the same quality and prestige level. (Source: *El Financiero*, 12/2/03)

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