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Report Highlights:

- *MEXICAN COMMISSION TO EVALUATE U.S. BIOTERRORISM LAW
- *MEXICO NEEDS TO FACILITATE REJECTED TRUCKS
- *MEXICO'S AGRICULTURAL TRADE DEFICIT WITH THE U.S. TO INCREASE?
- *MORE ON THE BIO-TERRORISM LAW
- *FOX'S INITIATIVE REDUCES RESOURCES TO COUNTRYSIDE
- *NAFTA FAILED DUE TO MEDIOCRE LEADERS?
- *THE MINISTRY OF ECONOMY DOWNPLAYS POSSIBLE DAMAGE FROM THE NEW U.S. BIO-TERRORISM LAW
- *MEXICO FEARS U.S. BIO-TERRORISM MEASURES
- *CONGRESS TO VOTE ON CONTROVERSIAL TAX PLAN
- *NAFTA HAS NOT SHARED WITH MEXICO THE AMERICAN DREAM
- *THERE IS NO SUGAR SUPPLY CRISIS IN THE MARKET
- *SUGARCANE PRODUCERS SUPPORT THE HFCS TAX
- *BIO-TERRORISM LAW TO BE FLEXIBLE AT FIRST
- *RESEARCH, BASIC FOR RURAL DEVELOPMENT: USABIAGA

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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MEXICAN COMMISSION TO EVALUATE U.S. BIOTERRORISM LAW

Concerns about possible effects in Mexico's trade with the U.S. due to the implementation of the Bi-Terrorism Law caused the Congressional Treasury Commission to create a group to coordinate with President Fox's Inter-Secretarial Commission to evaluate any possible impact of this new regulation. The legislators' biggest concern is that this law could be used as a justification to halt Mexican agricultural exports. "This could lead us to a very complex scenario with new trade barriers along commercial, phytosanitary and ecological barriers or even other barriers that could emerge" said Senator Laura Alicia Garza. (Source: La Jornada 12/07/2003.)

MEXICO NEEDS TO FACILITE REJECTED TRUCKS

Mexican Customs agents are requesting that the Government of Mexico exempt shipments that are prevented from entering the United States due to the Bio-Terrorism Law. Otherwise, rejected trucks will have to wait in line until the import documents are prepared affecting the rest of the shipments waiting to cross the border. This petition was forwarded directly to the Secretariats of Agriculture, Health, and Customs, which belong to the Committee formed to respond to this Law. (Source: Reforma 12/10/03)

MEXICO'S AGRICULTURAL TRADE DEFICIT WITH THE U.S. TO INCREASE?

The National Agricultural Council (CNA) expects that in 2003, Mexico's agricultural trade deficit with the United States will rise to USD \$4.0 billion. Armando Paredes, CNA's President, stated that this demonstrates that Mexican agro-food industries are losing competitiveness with U.S. companies. He said that high energy costs, particularly gasoline, are reducing productivity. Also, he cited a lack of long term planning in the Mexican agricultural sector. (Source: El Economista; 12/09/2003)

MORE ON THE BIO-TERRORISM LAW

The Secretariat of Economy says that Mexico is ready for the Bio-Terrorism Law and Mexican exports will not be affected. The Government is helping companies with registration and other activities. Actions between the Secretariat of Agriculture, Customs, and the Public Affairs arm of the Executive Branch have been undertaken to help companies prepare for the December 12 implementation of the law. Producer groups stated that the Law could be used as a "weapon" to exert pressure so that Mexico reduces its trade barriers affecting U.S. products such as high fructose corn syrup, potatoes, rice, and beef. The representative of the Hispanic Chamber of Commerce in Mexico indicated that it is going to be difficult to

export to the U.S. as this Law will complicate trade for small and medium sized agricultural exporters. (Source: Reforma 12/08/03)

FOX'S INITIATIVE REDUCES RESOURCES TO COUNTRYSIDE

Members of six Congressional Commissions involved in rural development denounced President Fox's 2004 budget proposal calling for a 10 percent decrease in resources for the agricultural sector. In response, Commission members presented a counter proposal requesting an increase of 21 percent in agricultural spending. (Source: El Universal; 12/08/2003)

NAFTA FAILED DUE TO MEDIOCRE LEADERS?

At the beginning, NAFTA was not planned to be the solution for all Mexican problems according to Sidney Weintraub. Considered one of NAFTA's creators Weintraub declared, "someday Mexico will pay the consequences for its leaders' deficiencies in implementing reforms that benefit the country. If you view NAFTA as an agreement for trade and finances you can say it has been worth it, but if you define it as the solution to all problems that will turn Mexico into a rich and wealthy country, then you can say it did not work," Weintraub concluded. (Source: El Universal; 12/10/2003)

THE MINISTRY OF ECONOMY DOWNPLAYS POSSIBLE DAMAGE FROM THE NEW U.S. BIO-TERRORISM LAW

The NAFTA Director of the Secretariat of Economy (SE), Juan Carlos Baker-Pineda, downplayed possible damages to food trade between Mexico and United States as a result of the Bio-Terrorism Law. SE will send observers to the border to observe the implementation of the law on December 12. Baker-Pineda stressed that in the first four months of implementation there will be "flexibility", but only in reference to the prior notification of shipments. (Source: El Financiero; 12/10/2003)

MEXICO FEARS U.S. BIO-TERRORISM MEASURES

Mexico fears the United States will start rejecting shipments of its agricultural products when the new Bio-Terrorism law goes into effect. Although authorities designed a plan to comply with the new law and the United States will not fully enforce it at first, the Government of Mexico is not confident about powers granted to inspectors. "The fear is not unfounded. We have seen this happen before, in Chile with grapes and in Mexico with strawberries," Javier Trujillo, the director of the National Food Quality Service, stated. (Source: El Universal; 12/11/2003)

CONGRESS TO VOTE ON CONTROVERSIAL TAX PLAN

No proposal by President Vicente Fox has caused more controversy than his plan to overhaul tax laws. After three years of public debate, Congress is now seriously considering the possibility of fiscal reform. Mexico collects less than 12 percent of GDP in taxes, one of the lowest rates in Latin America. However, the tax bill has sparked outrage among opposition lawmakers and the labor and peasant groups affiliated with their parties. Peasant groups are threatening to shut down the U.S. border and block highways within the country as their contribution to a national strike against reform. "Peasant farmers are doubly hit by these taxes," said PRD lawmaker Victor Suarez, who is also a leader in "The Countryside Can't Stand Anymore" an umbrella group of peasant organizations. "Poor farmers can't afford to pay more for the food they buy, and the tax on agricultural materials

favors imports because domestic food will be more expensive to produce." (Source: El Universal; 12/11/2003)

NAFTA HAS NOT SHARED WITH MEXICO THE AMERICAN DREAM

According to a local newspaper, ten years of NAFTA has only left a bad taste in the mouth of Mexico's agricultural sector. While some national producers have been rewarded with an increase in their product exports, the agricultural trade balance in the first decade of NAFTA has not benefited Mexico. According to economists and researchers, the notion that the free trade agreement with the United States and Canada would help create well paid jobs in the agricultural sector to contain the migration of Mexico's rural population has not been fulfilled. (Source: El Universal, 12/16/03)

THERE IS NO SUGAR SUPPLY CRISIS IN THE MARKET

The Chamber for the Sugar and Alcohol Industries denies that there is a sugar supply crisis. Jose Menchaca, President of the Chamber, indicates that the rumors spread by chocolate and candy manufacturers are not true since there are enough sugar supplies in the market. What has happened with the re-structuring of the domestic sugar market is that smaller companies now pay the same rate as larger companies without the benefit of long-term credit and price discounts. (Source: Reforma 12/15/03)

SUGARCANE PRODUCERS SUPPORT THE HFCS TAX

Sugarcane producers continue to support the 20 percent tax on the high fructose corn syrup (HFCS) use in beverages. Producers will only accept the cancellation of the tax if Mexico reaches an agreement with the U.S. on sugar trade. Yellow corn producers are still proposing a tax on HFCS for beverages that contain less than 85 percent sugar. (Source: Financiero 12/15/03)

BIO-TERRORISM LAW TO BE FLEXIBLE AT FIRST

The U.S. Government announced that it would postpone the application of strict importation rules set to go into effect on December 12, 2003. Mexican business leaders had been warning of chaos if the law had come into effect on December 12, 2003. Several of Mexico's largest agribusinesses representing a majority of exports have failed to register under the provisions of the Law according to Juan Carlos Baker, Director of Mexican-US trade at the Secretariat of Economy. Government figures show that only 3,000 of the 7,500 exporters have registered with the FDA so far. (Source: El Economista, El Financiero, Reforma, Excelsior and El Universal; 12/12/2003)

RESEARCH, BASIC FOR RURAL DEVELOPMENT: USABIAGA

"There is no development in the countryside, nor productive activities, if there is no research and technology transfer," stated Javier Usabiaga, Secretary of Agriculture. He also said that only with strong research institutions can Mexico develop a modern rural sector. The challenge is to further develop the National System of Agricultural and Forest Research (INIFAP). With this statement, Usabiaga confirmed the continued existence of INIFAP which had been slated for elimination in earlier budget proposals. (Source: Excelsior; 14/12/2003)

BIO-TERRORISM LAW CURBS U.S. FOOD IMPORTS

The enforcement of the U.S. Bio -Terrorism Law doubled wait times to cross food products from Mexico to the U.S. at border points in California. Despite the fact that the U.S. authorities honored their promise to be flexible, delays could not be avoided. At the Otay crossing point where more than 50 percent of trade between Mexico and California takes place, food products could not use the fast track lines because of the new law. Consequently, wait times increased by one to three hours, transport sources stated. (Sources: El Financiero; 12/15/2003)

REPORTS RECENTLY SUBMITTED BY FAS/MEXICO CITY

Number	Title	Date
MX3162	Weekly Highlights & Hot Bites Issue #55	12/9 /03
MX3164	Mexico Announces an Increase to the TRQ for Milk Powder Imports in 2003	12/11/03
MX3165	Modifications to NOM-158-SCFI-2003 on Ham Denomination	12/12/03

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