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Report Highlights:

- POVERTY AND WEAK AGRICULTURE ARE REASONS TO RENEGOTIATE NAFTA
- MEXICAN HORTICULTURAL PRODUCTS: A GREAT SUCCESS IN THE UNITED STATES
- USABIAGA: AGRICULTURAL SECTOR – ONE OF THE MOST DYNAMIC
- SAGARPA IMPOSES RESTRICTIONS TO CONTROL AI OUTBREAK
- UNITED STATES FURTHER OPENS BORDER TO MEXICAN PORK
- WAL-MEX TO OPEN ONE PRICE DEPARTMENTS

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.

POVERTY AND WEAK AGRICULTURE ARE REASONS TO RENEGOTIATE NAFTA

Representatives from the Free Trade Mexican Action Network (RMALC) said that prior to the initiation of activities for larger regional integration, Canada, Mexico and the United States must revise the NAFTA model because poverty prevails in Mexico despite all efforts to increase employment. Also, Mexico must push the U.S. and Canada to renegotiate NAFTA's agricultural chapter because, according to RMALC, "NAFTA's most dramatic impact" centers on this issue. Non-governmental organizations pointed out that NAFTA trade benefits should be reconsidered since the agreement did not generate more economic growth in Mexico, the trade was concentrated on the assembly plants and neither generated the promised jobs opportunities. RMALC highlighted that oilseeds imports increased from 8.8 million metric tons in 1993 to 20.3 million metric tons in 2002. Moreover, the prices of basic products for the final consumer increased 257 percent during the 1994-2000 period, while the prices paid to producers in the same period increased 185 percent. RMALC representatives added that the three governments must develop, in the short term, large-scale objectives to fight environmental problems, establish a common strategy on public health, and renegotiate the NAFTA agricultural chapter, allowing Mexico to protect its strategic sectors by excluding corn from the negotiations. (Source: *El Financiero*, 03/23/2005)

MEXICAN HORTICULTURAL PRODUCTS: A GREAT SUCCESS IN THE UNITED STATES

The presence of Mexican fruits and vegetables in the U.S. and Canadian markets can be considered a "success story" for producers and exporters. Carlos Montibeller Zapien, president of the Corporation for Resolving Fruit and Horticultural Product Controversies (DRC Mexico), said that "ten domestic products increased their exports 120 percent during 2004". DRC Mexico performs like a negotiating entity in resolving trade problems between Mexican exporters and foreign buyers. Montibeller said that, currently, Mexico supplies 59 percent of the U.S. horticultural market, whose imports are valued at US$ 4 billion per year, while Mexico is the main supplier for the U.S. fruit market, covering 21 percent of the supply. Lentils, dry beans, dry peas, fresh lettuce, grapefruit, frozen raspberries, oranges, pineapples and watermelon are just a few of the horticultural products and fruits that increased in exports during 2004. "Mexico is keeping a high share in the U.S. and Canadian markets regarding fruits and vegetables indeed," Montibeller concluded. (Source: *El Universal*, 03/25/2005)

USABIAGA: AGRICULTURAL SECTOR – ONE OF THE MOST DYNAMIC

During the inaugural ceremony of "AgroBaja 2004" in Mexicali, B.C., the Secretary of Agriculture (SAGARPA), Javier Usabiaga Arroyo, stated that the agricultural sector has maintained its dynamism in foreign export sales with a 14.1 percent increase over the previous year. He acknowledged that good opportunities exist in the market for non-traditional agricultural products and that the Hispanic population in the United States, numbering 39 million, is opening doors for new production and sales alternatives. The "Mercado de la Nostalgia", so designated by Hispanic consumers in the United States, is expanding and demand for products like exotic fruits, nuts, vegetables, spices, beverages, medicinal plants, and aromatic herbs is growing. Usabiaga commented that the non-traditional agricultural producers are examples of the new vision of the food and agricultural industry in Mexico. (Source: *El Mañana*, 3/28/2005)

SAGARPA IMPOSES RESTRICTIONS TO CONTROL AI OUTBREAK

Mexico was forced to slaughter poultry this month from a farm in the north of the country due to an outbreak of low path avian influenza (AI). It is expected that an additional two million birds will be sacrificed in the northern districts due to the outbreak. In addition, SAGARPA also quarantined one million chickens following the AI detection to ensure that the outbreak did not spread further. The illness was identified as part of Mexico's permanent AI monitoring program and SAGARPA emphasized that the control measures were put in place for precautionary reasons. (Source: *Reforma*, 3/30/2005)

UNITED STATES FURTHER OPENS BORDER TO MEXICAN PORK

The U.S. Department of Agriculture (USDA) recognized the states of Campeche, Quintana Roo, Yucatán, and Sonora as free of classical swine fever (CSF), reopening the border to live hogs, pork, semen and pork products from these states effective April 12. This increases the tally to 8 Mexican states now identified as being free of CSF, with the previous four being Sinaloa, Baja California, Baja California Sur, and Chihuahua. According to Enrique Domínguez Lucero, Director of the Mexican Pork Producers Council (Comepor), this decision is critical because U.S. zoosanitary decisions are automatically recognized by a majority of countries worldwide, which should allow Mexico to pursue additional markets, starting with Canada and Chile. Domínguez added that exports from these states to the United States would not resume until the Mexican government successfully negotiated with its U.S. counterparts on the elimination of the U.S. non-tariff trade barriers currently in place for meat imports. These barriers are applied by U.S. officials during zoosanitary inspections and can delay shipments by 3 to 5 days, adversely affecting Mexican exporters and often resulting in spoiled meat due to extended exposure to high temperatures along the border. Furthermore, Domínguez stated that while there are numerous delays to Mexican shipments caused by U.S. inspections, Mexico possesses the necessary facilities for zoosanitary inspections and U.S. imports are cleared within two minutes. This, he added, explained the increase in pork imports from the United States – from 12,000 tons in 1992 (when NAFTA was negotiated) to 500,000 today. (Source: *El Financiero*, 3/30/2005)

WAL-MEX TO OPEN ONE PRICE DEPARTMENTS

Wal-Mex will open one-price departments in its Bodegas Aurrerá and Wal-Mart Supercenter outlets. The one-price departments will emulate the format of the Waldo's Mart stores in Mexico City, which offer all products at a unit price equivalent to a dollar. Waldo's Mart has 124 stores in Mexico. Like the Waldo's Marts, the Bodegas Aurrerá stores are in lower income areas, where the dollar-store concept seems to work best. The Wal-Mart Supercenters, on the other hand, cater more towards middle-income consumers looking for good deals. The one-price department was announced in the Wal-Mex annual meeting, at which was also announced a 13 percent growth in floor space for 2005. This year Wal-Mex plans to open 24 Bodegas Aurrerá, nine Wal-Mart Supercenters, eight Sam's Clubs, six Superama supermarkets and 20 restaurants. (Source: *El Financiero*, 3/29/2005)

REPORTS RECENTLY SUBMITTED BY FAS/MEXICO CITY

NUMBER	TITLE	DATE
MX5025	Weekly Highlights and Hot Bites, Issue #10	03/23/05
MX5026	New Agricultural Center Created to Guide Mexican Lower Chamber	03/28/05
MX5027	Sugar Annual Report	03/30/05

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